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Israel Sets Sum

In UNIFIL Death

TEL AVIV (UPI) — Israel has offered to pay a "substan-tial sum" to the family of an Irish officer in the United Na-

tions peacekeeping force who was killed by Israeli troops in "a

shameful mistake" in Lebanon,

Dermot McLoughlin, 33, a member of the 5,665-member

United Nations Interim Force

in Lebanon, was killed Jan. 10 when a tank fired three shells

into a UN position in Braachit,

north of the border with Israel. The soldier, who had just arrived in Lebanon, was the first UNIFIE soldier killed by Israe-

soldiers since UNIFIL was

He was the father of five chil-

MINDS TODAY

M A West German businessman

was abducted by gummen near

the sirport in Beirut. Page 2.

II The Klan disrupted a march

aimed at attracting blacks to a

Georgia county. Page 3.

I Indian police entered the Sikhs' Golden Temple and ar-

rested several persons. Page 4.

III President Corazon Againo of-fered peace talks to Moslem re-

bels whose attacks last week

killed 46 persons. Page 2.

Rementa AB's managing di Page 13.

USX Corp. and the steel

workers' union reached a tenta-

tive agreement that would end a

BUSINESS/FINANCE

lengthy strike.

ormed in 1978.

GENERAL NEWS

Israel radio said Sunday.

Hoog Kong, Singapore, The Hague, Marseille, Miami.

ESTABLISHED 1887



Afglian rebels, in Pakistan, attend a rally after rejecting the government cease-fire proposal.

Contra Arms Deals Traced to Lisbon

in Lisbon through a local arms

The certificates list requested types and quantities of arms and

Reagan has not been ques-

tioned about arms sales to

Iran since November. Page 3.

Augusto Caceres Rojas of the Gua-

See ARMS, Page 4

To Social Misery

By Richard Bernstein

New York Times Service

France - At noon, there were sev-

eral hundred people, among them unemployed artisans wrapped in

leather jackets and scarves, home-

less men with tattoos and five days

of stubble, women with children in tow, crowded into the line at the

The "restaurant" in this bloak

suburb south of Paris is actually a

food distribution center. Support-

ed by private donations, it is boused in a blue and white circus tent in an empty lot behind a tour-

People come each day to fill plas-tic bags with frozen chicken, boxes

They show their pink identification cards to the center's director, Claude Colombani, a computer op-

erator who has been out of work for

two years, or to Albin Arman, a 54-year-old self-described hobo who

rate of more than 10 percent.

That figure includes a growing

number of people, well represented at the Restaurant of the Heart, who

have been out of work so long that

their unemployment checks have

By Roberto Suro

long since stopped coming.

of cereal, tangerines and bread.

Restaurant of the Heart.

ISSY-LES-MOULINEAUX,

temalan Army.

By Karen DeYoung hington Post Service

LISBON — Portuguese arms and ammunition worth \$5.6 milfion, obtained with apparently false documents by U.S.- and Canadia based companies, were purchased in 1985 and 1986 for the use of rebels in Nicaragua, according to

U.S. and Portuguese sources.
Officially destined for the Guatemalan Army, the munitions were sent from Lisbon in at least nine installments during an 18-month period that ended in August.

The shipments, which included one million rounds of ammunition from Poland and Romania, began two months after Congress barred U.S. military assistance to the re-

bels, known as contras. Documents made available in Lisbon, which were supported by interviews here and in Washington, suggest that the arms purchases were landled by the same network were familiarly and intelligence. In France, a Bit of Charity Creeps In With the Cold of retired military and intelligence officers that was involved in the Reagan administration's secret Public More Alert arms sales to Iran and efforts to

resupply the contras. Portugal has emerged as an important link in the Iran arms deal and the effort to resupply the con-tras. Iran-bound U.S. weapons passed through Lisbon on their way from Israel and from the United States itself, according to records and sources in Washington. The Portuguese government has said that whatever role its country played in either operation was an

mwitting one. The Portuguese government approved the 1985-86 arms sales based on "end-user certificates" purportedly supplied by the Guate-

Ecuador's Leader Freed In Exchange for General

By Joseph B. Treaster New York Times Service
GUAYAQUIL, Ecuador — The resident of Ecuador, León Febres Cordero, was released by a group of air force commandos after agreeing to free an imprisoned air force eral and promising there would be no retribution against his abduc-

Mr. Febres Cordero said Saturday that he was punched, kicked and told repeatedly he was going to be killed during the 12 hours he was held captive Friday at the Taura Air base near here.

Licetenant General Frank Vargas Pazos, a former air force commander, arrived at the air base about an hour before Mr. Febres

León Febres Cordero

Taura Air Base. In an interview, he said that at the point when the commandos were to present arms, they opened fire in the direction of the presi-

My first reaction was to shout, "What the hell's going on here?"
Mr. Febres Cordeto said. "Then

See FREED, Page 4

Kabul Bid Rejected By Rebels Guerrillas Vow

To Continue War By Kamran Khan

Washington Post Service PESHAWAR, Pakistan - Tens of thousands of Afghan refugees and guerrillas have refused a call by Afghanistan's Soviet-backed government to lay down their weapons and join in a Communist-spon-sored national reconciliation. At a rally Saturday on a sports field outside this city 30 miles (50

kilometers) from the Afghan border, a large crowd of Afghans cheered as the leaders of the seven main resistance groups pledged to continue their war against the Afghan government and the estimated 120,000 Soviet troops who have kept it in power since intervening

The seven leaders, who have long squabbled among themselves, un-derlined their rejection of the truce offer by appearing jointly at the rally, the first time they have been able to muster even that symbol of

The party leaders added further emphasis to their dismissal of the truce offer by announcing that they had reached agreement on basic principles to underlie an eventual interim government they said they would establish in Kabul upon defeating the Soviet and Afghan government forces.

[Afghanistan's leader, Major General Najihullah, said Sunday that his government would go ahead with its policy of national reconciliation, and be brushed aside the rejection by the guerrilla leaders, Reuters reported from Ka-

[He said there had been several ammunition, and state that the ma- attacks by guerrillas since the terial is for the exclusive use of the cease-fire proclaimed by the gov-Guatemalan military. Typed on of-ficial stationery, the certificates bear the signature of General Cesar ecomment went into effect at midnight Wednesday. He gave no de-

[Guerrilla officials said Sunday that Afghan troops attacked rebels Last week, Guatemalan officials in several parts of Afghanistan dedenied any connection with the shipments. President Marco Vinispite Kabul's unilateral declaration of a cease-fire. The Associated a cease-fire, The Associated See AFGHAN, Page 4



Chinese buying Beijing newspapers for news about the resignation of Hu Yaobang.

Zhao Declares Hu's Removal Signals No Change in Policy

Yaobang as party leader would have no effect on Chinese policies and that fears of political instability were unwarranted.

Beijing Radio quoted Mr. Zhao as telling a Hungarian Communist Party delegation that the leader- member, Ferenc Havasi. ship changes announced Friday were intended to ensure continuity of policy and stability.

Mr. Hu was criticized at a Politburo meeting for having committed and external pol-"political errors," but authorities Mr. Zhao said. have not specified what these were.

Mr. Zhao, who was making his first public statement since his ap-

BELITING - Zhao Ziyang, the changes instituted by Deng Xiao- out of hand. acting Communist Party leader, ping the country's senior leader, said Sunday that the removal of Hu was in trouble. Such reports, he said, were problem of "bourgeois liberalism"

"completely without foundation." prime minister, made the remarks

"The personnel changes approved by the recent enlarged Polithuro meeting will in no way af-fect the plans, direction or internal and external policies of the party,'

He also referred to the party's current attack on "bourgeois liberalism," a phrase used to describe pointment Friday, dismissed speculation that the resignation of Mr. Western political concepts of de-ulation that the resignation of Mr.

Hu indicated that the program of attacks would not be allowed to get Mr. Zhao said "leftist" methods would not be used to deal with the

completely without foundation." and emphasized that the party Mr. Zhao, who is also China's greatly respected intellectuals. Western diplomats said recent in a meeting with a delegation nationwide demonstrations by stu-headed by a Hungarian Polithuro dents calling for Western-style dedents calling for Western-style de-mocracy and freedoms had apparently precipitated the leadership crisis. They added that Mr. Hu's

errors appeared to have been made in the ideological field. Mr. Zhao emphasized that the personnel changes were not the beginning of another political cam-

paign against opponents. "We are now a mature party and we don't engage in political cam-paigns," he said.

this meeting will affect the stability and continuity of our policies, Mr. Zhao said, adding, "This sort of the rancorous Iranian regime's agreement to the regime to the rancorous Iranian regime's agreement to the rancorous Iranian regime concern is unnecessary. Exactly the gression during the recent hattles. opposite, this meeting was aimed at In Tehran, the Iranian presiden ensuring the continuity and stability of the party's policies."

■ Prese Silence

Daniel Southerland of The Washngton Post reported from Beijing: Two days after Mr. Hu was forced to resign for mistakes com-mitted on "major issues of political principles," the government-controlled press has given no further explanation. The press has acted almost as if nothing had happened.

Diplomats said this silence may effect the baste with which top leaders decided to force Mr. Hu to resign. They suggested that the

See CHINA, Page 4

Iranians **Press Raid** On Basra

Claim Advances 'Deep Inside Enemy Lines'

By John Kifner New York Times Service

NICOSIA - Iran claimed Sunday that its troops had advanced "deep inside enemy lines" in heavy fighting close to an oil refinery just south of the major southern traqi city of Basra.

Iraq, meanwhile, continued its bombing of Iranian cities and suppointing of framan crites and sup-ply lines, saying that it had flown 296 bombing missions Saturday night and Sunday, in addition to 206 sorties by helicopter gunships. Iran said the cities of Isfahan, Tabriz, Dizful, Sanandaj and Ram

In addition, an Iraqi communi-que, monitored here, said that the Iranian assault in the area of Basra had been "completely crushed."

Iraq also asserted that it had bombed Ayatollah Ruhollah Khomeini's home in Tehran, A Baghdad radio broadcast said Iraqi jets had bombed the headquarters of the head of the snake, Khomeini, in what it described as the "capital of snakes and charlatans."

However, the official Iranian press agency reported only that a single Iraqi plane had bombed the outskirts of Tehran, killing a 55year-old man and two children.

Iran's foreign minister. Ali Akbar Velayati, indicated Sunday that Iran might try to turn the current battles, which began Jan. 9, into the long-threatened "final offensive" in the Gulf War.

Mr. Velayati, during a visit to Tripoli, Libya, was quoted as saying, "The latest victories of the Iranian forces in their ongoing operations will continue till the downfall" of President Saddam Hussein of Iraq.

lo an indication of mounting

Iraq concern over the Iranian assault, President Hussein presided over a meeting Saturday of his top nilitary commanders. The Iraqi News Agency said the meeting last-ed nearly 10 hours.

"Some people are concerned that is meeting will affect the stability d continuity of our policies. Mr

In Tehran, the Iranian president, Ali Khamenei, told a visiting dele-gation of Shiite Moslem elergymen that "the throat of the aggressor Iraqi regime had never before been so tightly gripped."

Both sides reported that Iran repeatedly struck the key southern Iraqi port of Basra with missiles and artillery fire. Iran claimed much of the population was flee-ing Basra, with a population of 1.5 million, is Iraq's second-largest

Iran said Sunday that its troops had established positions only 400 yards (365 meters) - within smallarms range - from an Iraqi oil refinery and petrochemical plant at

See WAR, Page 4

Kenya Abuses Dissidents, U.S. Legislator Asserts

NAIROBI - An American consman involved with U.S. relations with Africa sharply criticized Sunday the human rights record of Kenya, one of the major recipients of U.S. aid in Africa, and said he had witnessed political intimidation in Nairobi.

"We have seen evidence for the past 24 bours of a drastie increase in intimidation of individuals in Kenya that may be critical of government policies," said Represen-tative Howard E. Wolpe, Democrat of Michigan.

Mr. Wolpe, who is chairman of the House subcommittee on African affairs, said in Nairohi that he was also concerned by the number

of political detainees, Parliament "losing the power it once had" and the "stripping" of the independence of the attorney general. Observers in Nairobi say Mr. Wolpe's criticism was probably the

harshest by an American official

visiting this pro-Western country. Mr. Wolpe said he was not seeking confrontation but wanted to sound a warning at this point, that the trends in evidence could erode the positive relationship" between

Kenya and the United States. The congressman, who is on the last stop of an African tour that also included Botswana and Zimbabwe, said that planned meetings,

including one with a member of Parliament, were called off at the last minute or broken up because of "state interference." "Police stopped a meeting with a

church leader." Mr. Wolpe said, and the leader was advised it was not in the interest of the state to continue our meeting." Mr. Wolpe, who had planned to

meet with President Daniel arap Moi and two cabinet ministers, said he was told the officials were "oot available."

Mr. Wolpe declined to say whether he felt Secretary of State George P. Shultz had failed to address the human rights issue during his recent visit to Kenya.

Mr. Wolpe called for the release of a university lecturer, Mains wa Kinyatti, who was sentenced to six years' imprisonment in 1982 on charges of "possession of seditious publications."

Dozens of Kenyans have been arrested in recent months during a government crackdown on dissi



Two homeless Parisians spent the night on a ventilation grid instead of going to a shelter.

Moulineaux also reflects something Restaurants of the Heart organiza- by people like Mr. Colombani or new in France, which according to tion. "But in recent years, it's be- Mr. Arman, who examine each visi-

dustrialized West.

There are 630 Restaurants of the dian, Coluche, who died last year in In France we've always had the Heart throughout France serving a motorcycle accident. Coluche

sense that it was the state that 650,000 people every day. No ques- had enlisted the support of many

government officials and others has come clear that the state does not tor's Social Security papers.

a less developed tradition of private manage to take care of all the mem-

would protect us," said Jean-Mitions are asked. The number of

charity than most countries in the bers of the public."

Pazzos, said the general probably would go to Quito "to inform the says he has been sleeping outdoors, people of his future activity." even in the bitter cold, for more The general's brother said that until the general was released, he The scene is a reminder of what the French generally refer to as "the crisis." By that they mean ecohad been unaware of the president's abduction. nomic problems, particularly an in-tractable national unemployment

General Vargas had been under arrest since March, when be seized two of Ecuador's air force bases. saying the defense minister and the army commander were corrupt and should resign.

Cordero was freed. General Vargas remained secluded at the base Sun-

day, and his brother, Rene Vargas

Several leaders of the political opposition, which controls Ecuador's Congress, denounced the president's actions and said they ntended to seek a vote censuring

him early this week. President Febres Cordero was seized with nearly 30 others at the start of a military review at the star

dent's party. Security guards next to him on the left and right were wounded, he said, and two others some distance away were killed. Ten other persons were reported injured in the meident.

my security people tried to throw

Moments later, he said, two commandos trained their guns on him and yanked him to his feet. As they led him to a bus, he said, they kicked, shoved and cursed him. "I said, 'Don't touch me, I'm the

Germany's extradition of the sus-

But the forlorn tent in Issy-les- chel Vagnelsy, the president of the family members is simply checked

industrialized West.

The two men are Bashir al-ROME - Two Lebanese men Khodr, who was arrested in Milan arrested last week carrying exploon Monday, and Mohammed Ali sives through the Milan and Frank-Hamadei, who was arrested in furt airports may have been part of Frankfurt on Tuesday. Both men a new terrorist offensive planned have known or presumed ties to by radical Lebanese Shiites, according to American and Italian officials. Shiite Moslem organizations that have attacked U.S. targets in the past, officials say.

Western intelligence agencies are reassessing reports received in recent weeks indicating that Shute groups based in Lebanon were plotting a series of terrorist actions lines jet to Beirut in 1985. in Enrope, the officials said. [Sources said Sunday that the

Those and other reports caused security forces in Italy and other parts of Europe to go on a state of the death penalty for Mr. Hamadei, beightened alert that may have perhaps paving the way for West been responsible for the arrests of

the two Lebanese men, the officials pect, United Press International re- car Luigi Scalfaro, said Friday that of a pattern," the U.S. diplomat ported from Washington.

[Mr. Hamadei, 22, is one of four Lebanese Shiite Moslems charged by the United States with air piramurder and other criminal offenses in the TWA hijacking, during which a U.S. Navy seaman, Robert D. Stethern, was killed. [According to the sources, prose-

cutors said that to win Mr. Hama-The U.S. Justice Department has dei's extradition to the United said it would seek the extradition of States, they had to agree not to seek Mr. Hamadei in connection with the death penalty.] the hijacking of a Trans World Air-

known to have associated with sev- same operation. en men arrested in 1984 on charges Justice Department would not seek

plotting to blow up the U.S. Embassy in Rome. The Italian interior minister, Os- of the two men indicate "some kind

information supplied by Italian in- said. telligence agencies seemed to estab- Antonio Badini, foreign affairs lish a link between the two men. counselor to Prime Minister Bet-Mr. Scalfaro also said one hypothe- tino Craxi, said that, in light of the sis was that they had planned to arrests, Italian anti-terrorist forces

a popular French actor and come-

French entertainers for the estab-

See FRANCE, Page 4

Saturday. Other Italian officials and an American diplomat involved in anti-terrorism efforts said investigators had not determined with certainty whether Mr. Khodr and Italian officials say Mr. Khodr is Mr. Hamadei were involved in the

> Nonetheless, police and intelligence officials in Europe are acting on the assumption that the actions

attack a prominent visitor to were re-evaluating a variety of Rome. King Hussein of Jordan warnings, threats and intelligence ended a three-day visit to Rome on reports received in recent weeks.

Among the most disturbing reports was an intelligence report that five people had or were about to leave Beirut to undertake terrorist actions in Europe.

Judge Rosario Priore, a Rome magistrate involved in many terrorism prosecutions, said that investigators were particularly anxious to determine whether Mr. Khodr and Mr. Hamadei were going to use

See TERROR, Page 2

West German Is Seized Near Airport in Beirut

Abduction Follows Arrest in Frankfurt Of a Lebanese Suspected in Hijacking

ter he left the Beirut airport, securi-

ty sources said Sunday.

The sources said that several gunmen abducted Rudolf Cordes, an executive of Hoechst AG, the Frankfurt chemical and pharmaceutical company, in a mainly Shi-ite neighborhood near Beirut.

The kidnapping Saturday took place 15 minutes after Mr. Cordes arrived at the Syrian-guarded airport on a flight from Frankfurt, the
sources said. It appeared to be the
first abduction of a West German

■ Bonn Confirms Abduction Robert J. McCartney of The Washington Post reported from

An anonymous caller phoned the West German Embassy in Beirut on Saturday and said that a West German citizen had been abducted, but the caller made no demands, the Foreign Ministry said in a statement on Sunday.

A spokesman declined to specu-

late about the abductors' motives but another official said privately it seemed likely that the kidnapping was in retaliation for the arrest last week in Frankfurt of a Lebanese suspected of being a terrorist.

The ministry declined to identify the kidnapped man, but two West. German newspapers reported he was Mr. Cordes A Hoechst spokesman said that

Mr. Cordes was on a business trip to Beirut and that further details would be available on Monday. Officials in Bonn said Friday

that the government was concerned about the possibility that West Germans might be abducted by ex
Son, The Associated Press bureau Police detained at least 50 Arabs for questioning after the attack on Saturday, but released them later.

By Jackson Diehl
Washington Past Service
WARSAW — The government
of General Wojciech Jaruzelski appears to have achieved a break-

through in ending Poland's long-standing diplomatic isolation.

Prime Minister Yasuhiro Naka-

sone of Japan, on a four-nation trip

through Eastern Europe, met with General Jarozelski and Prime Min-

ister Zbigniew Messner on Friday for talks that both sides termed

successful. Officials said discus-

sions focused on Warsaw's desire

for expanded economic coopera-

tion with Japan, hnt no concrete

prime minister to postwar Poland,

came in a week in which General

Jaruzelski carried out a two-day

trip to Italy in his first official visit

agreements were discussed.

BEIRUT — Gunmen kidnapped hostages for Mohammed Ali Hamade, the suspect arrested Tuesday in Frankfurt.
The West German government

jast year reduced the number of people working at the emhassy, at a cultural institute and at a German school in Beirut, officials said.

The Lebanese suspect was said to be carrying three bottles of a powerful explosive liquid when he arrived in Frankfurt from Beirut.

United States for involvement in the hijacking of a TWA jet in June

■ Threat to Islamic Summit The pro-Iranian Islamic Jihad. whose terrorist activities have been whose terrorist activities have been targeted largely at U.S. and Euro-pean interests, on Saturday turned its threats against Moslems by warning Kuwait not to let the Islamic summit meeting convene there. The Washington Post reported from Beirut.

Iran has objected strongly to Kuwait as the site of the scheduled Islamic summit, on Jan 26, and has demanded that it be moved to a country that is impartial in the sixyear Gulf war between Iran and Iraq. Kuwait backs Iraq in the war.

The Islamic Jihad statement said: "We warn everybody that we might, if the summit convenes, have to take negative action in ants stabbed two young Jewish which the biggest loser will be Ku-brothers inside Jerusalem's Old a photograph of Terry A. Ander- against Arabs. son, The Associated Press bureau

dent trade union five years ago. While in Rome, the general also

met with Pope John Paul II at the

Vatican, an event the pope termed undoubtedly historic.

Polish officials and the state-run

media have described the diplo-

matic activity as a major success

that has marked a turning point in the country's international rela-

"The proclaimed Polish-Japa-nese top-rank political dialogue,"

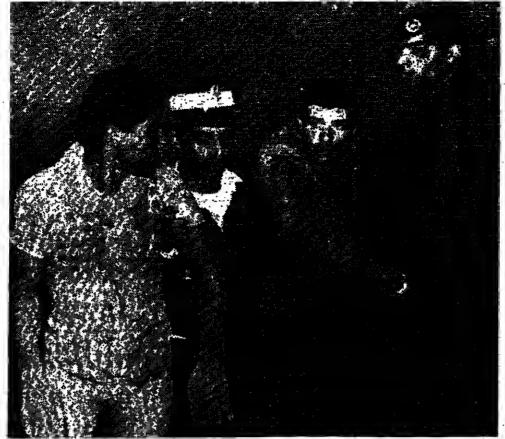
said the daily Zycie Warszawy,

"additionally confirms a fact most

important to us: We are witnessing

an evident restoration and consoli-

Ending the longstanding freeze



Police in Jerusalem arresting two Palestinians after the Jewish brothers were stabbed in the Old City. The authorities detained 50 Arabs for questioning, but released them later.

Arabs Stab 2 Jews in Old Jerusalem; **Police Move to Prevent Retaliation**

By Glenn Frankel

JERUSALEM - Arab assailwait's government, officials and in- City, and the authorities took prestitutions." It was accompanied by cautions to prevent retaliation

foreign debt to the West and revi-

Above all, Warsaw is seeking an

end to remaining U.S. economic sanctions, which include a ban on official U.S. credits and withdrawal

of Poland's most-favored-nation

trade status, Poland contends the

sanctions have cost the country bil-

zelski arranged an unofficial visit

to Paris for a meeting with Presi-

dent François Mitterrand, and last

year several West European coun-

tries renewed lending to Poland on

a modest scale. But Poland was not

The basis of the new upturn in

to U.S. sanctions

In December 1985 General Jaru-

lions of dollars in lost trade.

talize a sluggish economy.

Warsaw Takes Big Step Out of Diplomatic Isolation

dation of Poland's international able to obtain major new Western

position, shaken by the crisis of credits and investments or an end

on diplomatic contacts and eco- Western relations was set last Sep-

nomic assistance to Poland by tember when General Jaruzelski re-

Western countries has been a prior- leased virtually all of Poland's po-

Dozens of riot police massed outside Demascus Gate as a pre-caution against a repetition of the stone-throwing, vandalism and looting by Jewish crowds that followed the stabbing death of a Yeshive student in the area in November. Three Arah youths were convicted of that murder.

A police spokesman said the brothers stabbed Saturday, Avi

Italian and Vatican agreement to

the general's visit last week as well

as for the lifting of U.S. sanctions,

After this week's events, Polish

officials foresee a series of new con-

tacts with Western countries and say they are optimistic about a res-toration of normal relations with

The government spokesman,

Jerzy Urban, said last week that

General Jaruzelski would probably

make two or three other visits to the

West this year, while the foreign

ministers of France, West Germa-

oy and some other Western Euro-

Diplomats here said that a com-

plete lifting of the U.S. sanctions

could come within several months

if planned contacts proceed suc-

the United States.

Warsaw.

near the Damascus Gate with the older brother's fiancee when they were attacked from behind by two

neck and Shalom in the shoulder and then fled. The brothers managed to get the gate 500 yards (450 meters) away, where a police patrol called an ambulance. The fiances

Tighter Security Ordered Prime Minister Yitzhak Shamir said Sunday that Israeli police had been ordered to improve security in Jerusalem after the stabbing of the two Ochayon brothers, Reuters re-

security, to increase their guard alert might be lifted Monday. and alertness, and we will use all

The newspapers, Malaya and the
means to ensure such incidents do

Philippine Tribune, quoted intellinot recur." Mr. Shamir said after sence sources as saving additional

Teddy Kollek, the mayor of Je- Marcos lovalists and officers linked rusalem, appealed to fellow Jews to the November incident. The latnot to attack Arabs or their proper- ter led to the dismissal of the de-

Ochayon, 25, and Shalom Ochayon, 16, were walking on a main street of the Moslem Quarter

mat, who was in Saudi Arabia. young Arabs.
The assailants stabbed Avi in the After the 10-minute meeting, Mr. Murad said that he had given Mrs. Aquino a flower "as the symbol of peace" and a position paper with his group's demands. The government has focused its

was not hurt.

An official at Sha'are Zedek hospital said Avi had lost much blood

overtures on the rival Moro National Liberation Front in its efforts to end the 14-year Moslem rom several neck wounds but was in fair condition after surgery. His brother's wounds were not consid-

ered scrious.

In December, an elderly Jewish mands for an independent state man returning from prayers at the Western Wall was stabbed. His as-omy in Moslem areas of the south. sailants have not been caught.

urday because of rumors" that Moro Islamic Liberation Front reported from Jerusalem.

Police have orders to strengthen ports of any incidents and that the visiting Avi Ochayon in the hospi- security was ordered after the discovery of a plot allegedly involving

WORLD BRIEFS

Aquino Offers

Talks After

Moro Rebels

Halt Attacks

on a temporary cease-fire.

ratification of the draft constitu-

deputy leader of the Moro Islamic

Liberation Front. It was her fourth

stop on a five-city weekend tour of Mindanao Island, where she sought

support for the constitution.
Mr. Murad said he could not

respond to the offer without con-tacting the head of the Moro Islam-

ic Liberation Front, Hashim Sala-

bels were in the Manila area.

fense minister, Juan Ponce Enrile.

He said there had been oo re-

U.S. Lifts Ban on Drill Sales to Soviet

WASHINGTON (WP) — The Reagan administration, responding to pressure from the domestic oil and gas industry, has lifted countrie on the export of drilling equipment to the Soviet Union that were imposed in 1978 to force a change in Soviet buman rights policy.

Officials emphasized that the Soviet Union has shown no improvement

on human rights. Instead, Commerce Secretary Malcolin Baidrigo said Thursday that the controls were being lifted because they "have lost sheir impact in the face of widespread foreign availability of like products" and COTABATO CITY, Philippines have had a "debilitating effect" on the American oil and gas indusery.

Mr. Baldrige said the decision to lift the controls was made in conjunction with Secretary of State George P. Shultz, and "despite our — President Corazon C. Aquino offered peace talks Sunday to Moslem rebels who launched attacks last week after asserting she had shut them out of oegotiations in favor of a rival rebel group. satisfaction with Soviet human rights efforts."

At least 46 people were reported to have been killed and 89 wound-

Talks Collapse on EC's 1987 Budget

BRUSSELS (Reuters) — European Community budget manister tain
failed to agree on spending levels for 1987.

The collapse of the talks leaves the 12-nation group operating to an

ed in the five days of attacks, which ended Saturday with an agreement emergency financing system that is insufficient to cover its needs and opens the possibility of a damaging conflict with the European Paris, ment, diplomats said Saturday. In December, the Parliament proposed and But in Manila, the chief military

budget totaling \$40 billion.

The ministers were unable to bridge differences between months industrial countries and the Mediterranean countries over demands from the Parliament for more nonagricultural expenditure

spokesman said troops were on alert to prevent the violence from spreading to the capital. Two Manila newspapers reported Sunday that the military feared the Moslem rebels might join forces with dissident officers and supporters of former President Ferdinand E. Marcos to try to back Seoul Reports Dissident Was Tortured. dinand E. Marcos to try to block

SEOUL (Reuters)—A South Korean student dissident who died while in detention for anti-government activities was tortured by the police state radio reported Sunday.

The report said that two police investigators had admitted fortuning.

tion in the Feb. 2 plebiscite.
About 800 Marcos loyalists Park Jong Chol, 21, during an interrogation. A police spokesman and that an official announcement on the death was expected Mondays when the results of an antopsy on Mr. Park's death Wednesday become available. The officers face life imprisonment if they are found gualty of torturing the student, state prosecutors said. burned an effigy of Mrs. Aquino on Sunday during a Manila rally that was part of their campaign against the constitution, which guarantees Mrs. Aquino a six-year term. In Cotabato, Mrs. Aquino of-fered peace talks to Haji Murad,

The New Korea Democratic Party, the main opposition group de manded Saturday that the parliament hold a special session to discuss the death. The party said the case was only the "up of the iceberg" of summer rights violations by the government of President Chun Doo Hungarian

French Aide Denies He Met With Suspect

PARIS (IHT) - Interior Minister Charles Pasqua denied on Sunday re-ports that he may have met with the principal suspect in a corruption case involving figures in France's former Socialist government. French radio and television stations reported that Yves Challer, who is a former aide to the cooperation minister and is in jail await-ing trial, told the examining magistrate in the case Samrday that he had met with Mr. Pasqua before fleeing France for Latin America in April.

Last month, the leader of the Mr. Chalier, who was arrested in No-Moro National Liberation Front, vember after returning to France on a passport issued in a false name, is under tigation for the embezzlement of funds intended for Third World devel-In Manila, Colonel Honesto Is-

Mr. Pasqua said in a one-sentence leta, the chief military spokesman, statement: "I deny all information con said troops had been on "maxicerning a meeting with Yves Chalier." mum alert" in the capital since Satstatement: "I deny all information con-



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Charles Pasqua

Soviet Activist's Wife On Way to U.S.

MOSCOW (UPI) — Inna K. Meiman left Moscow on Sunday to
undergo cancer treatment in the United States.

Mrs. Meiman, 54, was to spend a night in Vienna before flying Monday; to Washington, where she will begin treatment at Georgetown University Hospital. She has undergone four operations for a tumor on the back of her neck, but Soviet physicians have been unable to halt its growth:

Her husband, Naum, 75, a mathematician and founding member of a group to monitor Soviet compliance with the 1975 Helsinki accords on laman rights, silently hugged his wife, refusing to talk about his ownefforts to leave the country. He has been refused permission to emigrate? for almost 12 years.

Kemp Said to Set Date for Candidacy

BUFFALO, New York (UPI) — Representative Jack F. Kemp of New York plans to announce his candidacy for the 1988 Republican presidential nomination April 6, it was reported Sunday.

Mr. Kemp will give up the chairmanship of the House Republican.

Caucus to devote more time to his candidacy. The Buffalo News reported. He has held the post since 1981. Mr. Kemp announced Friday he would give up his post as ranking Republican on a House appropriations, subcommittee. The newspaper reported that Mr. Kemp will hold news, conferences April 6 in Washington and Buffalo and in the key primary states of lowa and New Hampshire.

Mr. Kemp, a 51-year-old former professional football player, has been a member of Congress since 1970. Last month, he announced the creation of a committee headed by Charles Black, a veteran Republican strategist. to explore a presidential bid.

For the Record

Israel should maintain its economic and military links with South Africa despite U.S. pressure for it to adopt sanctions, panel of experts has recommended, Israeli news reports said Sunday

The United States is reported close to establishing diplomatic relations with Mongolia, a Soviet ally on the Soviet Chinese border. "We are having discussions with Mongolia about normalizing relations." Charles E. Redman, the State Department spokesman, said Friday. (NYT)

Sudan has turned down requests from both the Chadian government, and the Libyan-backed rebels for military facilities, Prime Minister Sadek. such as Abidjan, Ivory Coast, Mr. el-Mahdi of Sudan said Sunday.

Six Tami militants and eight soldiers were killed Saturday when two Six Lankan Army helicopters attacked a rebel post near the northern city of mies. He hailed the growing trend Jaffna, a spokesman for the rebels said Sunday.

Ali Ahmi of the Iranian Foreign Ministry arrived in Paris on Sunday for talks with the French government that are expected to focus on ways of improving ties. France has expressed concern over progress toward the release of French hostages in Lebanon. (Reuters)





50 DO L

Farewell to Arms for Uganda Youth

to a Western country since the sup-

pression of the Solidarity indepen- it seeks to manage a \$30-billion top leaders of Solidarity. The am-

KAMPALA, Uganda — Mon-day is back-to-school day for hundreds of Ugandan child soldiers who interrupted their formal education to take up arms and fight in President Yoweri Museveni's National Resistance Army.

The children, known locally by the colloquial Swahili word bakadogo, or little ones, have received their demobilization orders from army headquarters after up to five years of guerrilla war against the government of former President Milton Obote.

An army spokesman in Kampala said the youngsters, some of them under 10 years old, should put aside their guns, take off their

army uniforms and report to one of two special military academies to resume formal schooling.

armed or in uniform without a pass from his or her school would be liable to arrest and disciplinary action, he added.

army came to power.

swer critics by saying his guerrilla "Many children were abau-

Any found roaming around

The order ends a lengthy debate in Uganda on the future of the child soldiers, and widespread public criticism of Mr. Museveni's government for allowing them to carry out law and order duties almost a year after the Mr. Museveni has tried to an-

force did not set out to recruit the

doned and left beloless when their parents or guardians were massacred by Obote's murderous soldiers," he said last year. Soldiers who fought in the Na-

tional Resistance Army campaign said the children played an important part in intelligence gathering by posing as innocent children, and in some cases they fought successfully against indisciplined troops who underestimated their ability.

The two military academies are in the barracks at Mbarara, 150 miles (240 kilometers) southwest of Kampala, and Bombo, 20 miles north of the capital, with each school teaching a distinct



A soon-to-be decommissioned child soldier.

TERROR: 2 Jailed Shiites Part of Plot, Officials Fear Media Group

have yet to be uncovered These kinds of people do oot operate alone," the judge said. "They have to have somewhere to hide the explosives and somewhere

to plan their operations Mr. Khodr and Mr. Hamadei appear to have lived in Europe for several years. That information supports the suspicion among many investigators that a Lebanes Shiite terrorist network is already

functioning in Europe. One difficulty in evaluating the significance of the two arrests de-



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rives from the complex and not Amal, a large Beirut-based, politiestablished support networks that clearly understood structure of Lebanese Shiite groups.

The key question, according to U.S. and Italian investigators, involves the relationship between two of the most important groups:

18 Missing Off Spanish Coast The Associated Press

BARCELONA - A Maltese registered cargo ship sank Saturday in the Mediterranean off the coast of northeastern Spain, and 18 of its 20 crewmen were missing, a coast guard official said. He said the 4,500-ton Kyretha Star sent out a distress call before sinking, apparently after its cargo of iron bars

cal-military organization in the is said to be linked to Syria; and Hezbollah, or Party of God, which originated in the Bekan region of Lebanon that has a more clearly Islamic fundamentalist ideologica base and appears to be supported by Iran.

The U.S. authorities believe that the 17-day TWA hijacking began as an operation conducted by Hezbollah. Later, however, the leader of Amal became the chief intermediary and Amal appeared to take over the operation.

Similarly, the purported plot to blow up the U.S. Embassy in Rome in 1984 may have involved both Amal and Hezbollah, according to

Trial to Open in Italy Blast

people charged in connection with the bombing of the Bologna train station bombing in 1980 was scheduled to open Monday. The explosion, on August 2,

1980, in a waiting room crowded with travelers, killed 25 persons and wounded 200 Investigating magistrates believe the attack was carried out by neo- Francesco Pazienza, who was ex-

Fascists with links to Italy's secret tradited from the United States in services in an attempt to destabilize the country and pave the way for a rightist military government. Eight defendants are charged his trial with the others.

with subversive activity aimed at

BOLOGNA - The trial of 20 terrorism and overthrowing democracy. They include Licio Gelli, the head of the outlawed Masonic lodge, Propaganda Due, or P-2; who is a fugitive; and General Pietro Musumeci and Colonel Giuseppe Belmonte, two former military intelligence officers; and a rightist extremist, Stefano Delle

A former secret service agent,

June, has been charged separately

Acts to Fight Censorship LONDON - Publishers and

editors from 39 countries agreed Sunday to create a fund to challenge censorship in court. The agreement was reached at

explored ways of combating press censorship around the world and of helping those in prison or in trouble because of their reporting. The conference was sponsored by the World Press Freedom Committee, a group of 32 news organi-

Participants backed a declaration condemning the use of force strategic, economic, ideological by governments and criminal and altrustic factors in determinforces that seek to intimidate the ing American aid to Africa news media.

The document, called the Decisration of London, said borders should be open to foreign journalists to travel freely in each country and have access to official and unofficial news sources. The resolution urged creation of

a fund "to support legal challenges to censorship measures and to other abuses of press freedom." The declaration supported sending fact-finding missions to counwith subversive association. Prose-tries with strict press regulations cutors are likely to try to combine and said the first such mission

would try to vixit South Africa,

Building Markets, Cutting Soviet Influence Were Among Priorities By David K. Shipler New York Times Service WASHINGTON - Giving foreign aid is the process of doing

Shultz's Goals in Africa

good for somebody else in pursuit of your own self-interest. That seemed to be the governing propo-sition of Secretary of State George P. Shultz's trip to six countries in Africa that ended last week

As he arrived at one airport or presidential palace after another. Mr. Shultz stressed Washington's desire for "partnership" in helping the Africans help themselves. Pure altruism was rarely mentioned as he and his aides offered a list of motives for providing Ameri-

can money to countries whose peo-ple suffer from poverty, illness and The Reagan administration is interested in minimizing Soviet influence, maximizing markets for American exports, accuring the sources of raw materials for American industry, and seeing developing countries remake their econo-

mies in the American image. Economic and strategic concerns drew the European colonial powers into Africa in an earlier era. Now, 20 to 30 years after the colonies gained independence, the industrialized nations must try to woo Afrithe end of a two-day meeting that cans with aid and encourage steps to make Western investment safe.

That was Mr. Shultz's mission as he traveled to Senegal, Cameroon. Kenya, Nigeria, the Ivory Coast and Liberia. It was the first time that a secretary of state in the Reagan administration had visited sub-Saharan Africa. As he flew there, he reflected on

There's nothing wrong with wanting to help people and see them do better," Mr. Shultz said. "So in saying that I believe the things we're seeing are in the Amer-

ican interest and that's our primary

motive, I don't want to be knocking

penerosity.

"But I think it's important to be more hardheaded than that. So I think that it is in our interest to see countries become market-oriented in their economic system. It relates itself to openness and democracy, a form of government that we think this year, a 7-percent increase in is not only good for the people trade volume over 1985, the official involved but basically good for us.

"There is a sense in which everything has a strategic dimension to it," he continued. "We want to see a way of thinking that's congenial to us Bourish. Beyond that, of course, a very heavy proportion of our exports go to the developing countries, something like 40 percent. So, as these economies develop, it is good for our economy." Private enterprise was Mr. Shultz's favorite theme. In the sul-

NEWS ANALYSIS try cities of faded French colonial charm such as Dakar, Senegal, and in the modern cities of high-rises, Shultz argued that free-market sys-tems could rescue African econo-

in that direction. For example, Senegal is ending price controls and subsidies of food and some imported goods. The subsidies have helped the urban classes, who are the leaders' main constituents, at the expense of the DOONESBURY poorer farmers, who have been dis-

couraged from producing by the artificially low prices. Mr. Shultz urged belt-tightening, especially in Liberia, whose main exports — iron ore and rubber face declining world prices. Liberia uses the U.S. dollar as currency but also mints its own coins, which are considered so worthless that even supermarkets print their own scrip

give out as change. Mr. Shultz stepped into controversy when he praised Liberia for making progress on human rights. Some Liberians took issue with his assertion that the country had a what priority he would give the free press and no political prison-

> To a certain extent, Washington's desire to foster free enterprise is a mirror image of the Soviet Union's aid objectives. Where Moscow provides sub-

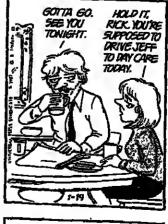
stantial economic and military sup-

port, it often presses the receiving

country to adopt a socialist system.

Dhaka, Moscow Boost Trade Reuters

DHAKA, Bangladesh - Bangladesh and the Soviet Union signed an agreement Sunday to exchange goods worth \$70.5 million







Since November, Reagan Has Faced No Iran Questions the state of the s

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By David Hoffman and Lou Cannon Washington Post Service WASHINGTON - President

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Ronald Reagan has not been questioned since November by his staff or others about his recollections of the decision to sell arms to Iran, a

So far as a know, on effort yet to do that," the spokesman, Albert R. Brashear, said Friday. He said Mr. Reagan would not be questioned until aides have put together their report on happened in the clandestine what have our equestioned initial and a have put together their report on what happened in the clandestine shipment of weapons to Iran.

The president should not be

asked to comment, certainly, until such time" as the aides have been able to "sort it all out," Mr. Bra-shear said. "I don't think it is fair that he be asked to do that."

Mr. Bosshear said the White

House counsel, Peter Wallison, and the president's special counselor on the Iran-contra affair, David M.
Abshire, were assembling information to "indicate what exactly tran-

"Until such time," he said, "it's my understanding there is no intent to go to the president with each thing that they uncover, each thing that they review, but rather to wait until the process is complete."

He said the process included investigations by Congress, the inde-pendent counsel, Lawrence E. Walsh, and the president's commission on the National Security Council, headed by John G. Tower. Later Mr. Friday, Mr. Abshire issued a statement saying Mr. Rea-gan is continuing to follow close-ly" the efforts to compile facts bout the controversy. He said that Mr. Reagan met with him this week and will continue to meet with him, and that Mr. Reagan "remains committed to his pledge to the American people that they get all

A White House statement issued separate investigations; establishing positive relations with Cons; and maintaining a "bipartisan focus" during the inquiries.

cussion about Mr. Reagan's recol-lections of the Iran decisions.

The president has not met with reporters since the Nov. 25 annonncement that money from arms sales to Iran was diverted to the Nicaraguan rebels. Mr. Reagan has said he did not know about the diversion until informed of the results of an investigation by Attorney General Edwin Meese 3d. Mr. Mccse apparently was the last official to question the president about

The White House chief of staff, Donald T. Regan, who participated in the Iran arms sales decisions but also said he did not know of the diversion, has also been unavailable for comment on any subject

the affair

Many questions have come to light since Nov. 25 about Reagan's

One concerns the policy objectives of the arms sales to Iran. Last week, the White House made public a Jan. 17, 1986, memorandum prepared for Mr. Reagan that called the sales "the only way to free" U.S. hostages in Lebanon.

Mr. Reagan was given an oral briefing on the document, accord-ing to a notation by Admiral John M. Poindexter, his national security adviser at the time.

Another key question is whether the president approved in advance the shipment of weapons to Iran through Israel in 1985. For Israel to send the weapons without presidential approval would be against U.S. law. Top advisers have given conflicting accounts on the ques-

White House aides have refused to make public additional documents to shed light on these and

Mr. Brashear was whether the president was "involved" in the investigation and replied: "He is not to reviewing what is behind him. after the meeting said the two men. The president is looking forward, discussed three objectives: accelerating release of information to the last two years of his term in

A White House official said Friday that Mr. Reagan's State of the Union Address on Jan. 27 would be It made no mention of any dis- oriented toward the future.

NSC Commission Finds Little New Evidence

By Susan P. Rasky New York Times Service the White House panel examining the National Security Council's

role in the Iran-contra affair has uncovered almost no new informa-President Ronald Reagan named the three-member review panel, headed by former Senator John G.

Tower of Texas, in November after saying he had not been fully informed that as much as \$30 million from American arms sales to Iran may have been diverted to the Nicaraguan rebels.

In addition to Mr. Tower, the other members are former Secre-tary of State Edmund S. Muskie, and Brent Scowcroft, a former national security adviser.

According to administration sources familiar with the panel's work, the report is being prepared without access to the individuals and financial records the panel sees

According to the Justice Department, the earliest such records might become available would be mid-February, assuming the Swiss government agrees to waive its strict privacy rules and grant the idministration's request for access to the accounts.

Lacking subpocan power, the panel has been unable to compel appearances by several central figures in the affair.

. These inclode Vice Admiral John M. Poindexter, a former na-WASHINGTON - Less than tional security adviser; Colonel Oltwo weeks before its report is due, iver L. North, a former NSC staff member; Richard V. Secord, a retired air force major general; Al-bert Hakim, who was General Secord's business partner; and several Israeli officials.

William J. Casey, the director of the Central Intelligence Agency, re-mains too ill to speak with the panel after removal of a cancerous tumor from his brain last month.

be organized and used in the future recorded on tape.
have already been overtaken to "Anti-Christ!" one voice hissed. have already been overtaken to some degree because Frank C. Car-

viser, began a major internal review and reorganization this month. He said a week ago, for example, that the National Security Council would no longer involve itself in

covert operations.

Despite the difficulties, the commission sees its contribution as valuable, the sources said. It is contributed and hopes to pursue leads and hopes to purs



Blacks Providing Democrats' Margins

In all nine presidential elections since Harry S. Truman won in 1948, the Democratic nominee has won a majority of the white vote only once, when Lyndon B. Johnson overwhelmed Barry Goldwater in 1964. These nine contests produced only two other Democratic victories: John F. Kennedy's in 1960 and Jimmy Carter's in 1976. In the 1986 Senate elections, in which

the Democrats came back from four years in the minority to win a five-seat majority, black voters provided the clear margin of difference for the party's nominees in Alabama, Georgia, Louisiana and North Carolina, The New York Times The figures come from the Joint Center

for Political Studies, a research group in Washington that is studying black political influence. The center concluded in a newsletter that for the Democratic Party to win the presidency in 1988, it "must be capable of putting together a coalition that includes at least a substantial proportion of whites," about 40 to 45 percent, and of "maintaining its nearly unanimous black support."



TAKING THE RAP - Shannon Burns, 10, with her account passbook in San Jose, California, after the Internal Revenue Service placed a lien on her savings of \$694 to collect back taxes owed by her father. The IRS relented after she complained to a newspaper.

Notes About People

Governor Michael S. Dukakis of Massachusetts, a potential Democratic nomi-nee for president, likes to remind audi-ences that Boston, the state capital, has traditionally been known as the Athens

of America. He then pauses and smiles slowly as the double meaning sinks in:

starring in television's "Dynasty," were married in Atlantic City, New Jersey, each for the fourth time.

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Short Takes

Gunfire killed nearly two-thirds of the 97 law enforcement officers who died in the line of duty in 1986, according to the National Association of Chiefs of Police. Sixty-one officers died of gunshot wounds, 21 in traffic accidents and 11 in plane crashes. Two died in a bomb explosion, one drowned in a rescue attempt and one died of a heart attack while chasing a felon. The figures changed very little from 1985, when 100 officers were killed, including 64 of gunshot wounds and 26 in traffic accidents.

Attending college may well improve a woman's marriage prospects, a U.S. Census Bureau study indicates, disputing a report that suggests women who postpone marriage to pursue an education are less likely to marry. Jeanne E. Moorman said her figures show that a woman of 20 stands an 88.9 percent chance of marrying by age 65. However, if her education stopped at elementary school, the likelihood is 79 percent, dipping to 74.2 percent with some high school. Her chances the double meaning sinks in:
the governor himself is of Greek ancestry.

Vic Damone, 58, the crooner, and Dialor Carroll, 51, an actress currently

Left with some night school. Her chances rise to 86.6 percent with some night school diploma and to 93.5 percent with some night school diploma and to 93.5 percent with some night school diploma and to 93.5 percent with some night school. Her chances the school diploma and to 93.5 percent with some night school diploma and to 93.5 percent with some night school. Her chances rise to 86.6 percent with a high school diploma and to 93.5 percent with some night school. Her chances rise to 86.6 percent with a high school diploma and to 93.5 percent with some night school.

Shorter Takes: Of the 52 Americans held hostage for 444 days in Iran, 51 have received special bonuses voted by Congress of \$50 for each day of captivity, or 22,200 each. The 52d hostage was not a government employee and was not eligible. Public school pupils in Hattiesburg, Mississippi, who get straight A's receive a laminated "Gold Card" entitling them to discounts on hamburgers, pizza, videocassette rentals, sporting goods and clothes at local stores. • Anplications are up 10 percent at the U.S. Naval Academy at Annapolis, Maryland. A spokesman attributes this, at least in part, to the hit film "Top Gun" and the best-selling novel "The Hunt for Red October," both about the navy.

A Practical Guide To Marital Brevity

A handbill placed under the windshield wiper of Amy J. Haimm's car in Lawrence, Long Island, and reported to The New York Times: GOING OUT OF MARRIAGE SALE

WE'RE SPLITTING UP AND WHAT WE CAN'T SPLIT UP WE'RE SELLING! EVERYTHING LIKE NEW (IT ONLY LASTED THREE MONTHS)

-ARTHUR HIGBEE

Klan Backers Block 'Brotherhood' March in All-White County

Goal of Walk Was to Welcome Georgia Blacks

By Dudley Clendinen New York Times Service
CUMMING, Georgia — When
Charles A. Blackburn moved to this hilly, rustic area in north Georgia five years ago from the San Franciso Bay area, he thought it was a perfect balance: a cabin on a lake in woodsy country just 30 miles north of metropolitan Atlan-

Mr. Blackburn is a white man, and he did not notice at first, so close to that city of racial harmony, that there were no black people here in Forsyth County. He did not know the reason. But

when he tried to persuade a black women's club in Atlanta to take some of the human development courses he teaches, along with karate and meditation classes, the club president polied her group and none of them would set foot in Forsyth County.

Nor would black friends from Atlanta drive up to have dinner with him, he said.

Not since the black population was driven from the county in 1912, be discovered, has anyone of that color felt welcome here. Because that bothered him, Mr.

Blackburn decided to organize "a walk for brotherhood" on Saturday morning. He just wanted to demon-strate, he said, "that it would be O.K. for black people to come visit in Forsyth County."
That is when the threats began,

and they proved to be harbingers of the walk's disruption Saturday by hundreds of robed Ka Klux Klan

The county's leadership bas At the same time, any sugges-tions the panel makes on how the National Security Council should threats, which Mr. Blackburn had

Another male voice, low and menlucci, the new national security ad- acing, said, "I got a 30.06 bullet with your name on it."

But it was the women who were the most voluble. "I just don't think it's a good idea for you to try to get the niggers to come up here," said one. "That's why we live in Forsyth County: to get away from them."

to produce a chronology of the Iran of this county. I know one person

affair that could provide some insights on why particular events unfolded as they did.

Even if the review board's Jan.

Three-quarters of a century ago, it was the blacks who moved out. 29 report deadline is extended for a In September 1912, after a rape 29 report deadline is extended for a brief period, as now seems likely, prospects that it could turn up major revelations are unlikely, the sources said.



A Kn Klux Klan member with a Confederate flag and

a telephone pole.

had been tried and hanged before a crowd of 10,000 whites,

employers and a series of house and church burnings, every black person in Foysyth and Dawson Counties, hundreds in all, had been driven out .

lack the flat lands and richer soil of the old cotton and plantation belt to the south.

But it is the history of the rape

"Somebody's got to keep the nig-gers out," Melvin Crow, one of the suspects, told investigators. That statement was reported in an article on Forsyth County last fall in Creative Losfing, an Atlanta news-

The county, one of four that form the northern collar of Atlanta, has grown from 6,000 residents in 1960 to almost 40,000 today, said Sheriff Wesley C. Walraven Jr.

The threats that Mr. Blackburn



others shouting racial epithets during the march.

mutilated and dead, hanging from only in recent years have any a telephone pole.

only in recent years have any blacks begun working there during Within six weeks, the two others the day.

By then, after mass dismissals by

The counties of north Georgia, like those of northern Alabama or other states of the same latitude,

Historically they have had tiny black populations. Several counties in north Georgia have no blacks, and residents show none of the friendly biracial feelings that developed where both races lived togeth-

and the forced exodus 75 years ago that make the whiteness of Forsyth County such a sharp object lesson. And the shooting of a black Atlanta firefighter at a picnic in a lake-side park there just six years ago served as a reminder of the county's

received have made people else-where wonder whether the old hos-tility had diminished. No blacks have moved into the county, and

through a county that for decades has had no black residents.

Norman A. Baggs, editor of The Forsyth County News, said the old animus was diminishing as the years pass and new residents arrive. But the county is not singular in being a refuge for whites, he said.

Whites Hurl Rocks and Bottles; 8 Arrested

New York Times Service CUMMING, Georgia - A large crowd of Ku Klux Klan members and supporters throwing rocks, bottles and mud blocked a "brotherhood anti-intimidation march"

Several of the estimated 75 black and white marchers were struck by the objects, but no serious injuries were reported. Eight persons from the group that jeered and threw objects were arrested.

The Forsyth County march was planned to mark the Jan. 15 birth-day of the Reverend Martin Luther King Jr., the civil rights leader slain in 1968, It was led by Hosea Williams, an Atlanta city councilman and former aide to King.

An estimated 800 to 1.000

whites, including about 100 members of the Ku Klux Klan, gathered in opposition to the march, They listened to a speech by J.B. Stoner, a white supremacist who was released from a federal prison in November after serving three and a half years of a 10-year sentence for participating in the 1958 bombing of a black church in Birmingham,

"Niggers bring crime and for a major march in Forsyth ing crowd, "and we don't need crime or AIDS in Forsyth County." "We feel very strongly about the right to make a nonviolent march, After the violence, directors of as we did throughout the '60s," said the Martin Luther King Center for King's widow, Coretta Scott King. Nonviolent Social Change asked "We have a right to march without supporters to be ready to mobilize being beaten up."



Hussein Enan welcomes

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a great priviledge that the conference -the first of its kind to be held on such a grand scale - will be hosted by Egypt. I take this opportunity to welcome all ADVISTA ARABIA '87 delegates.



"ADVISTA ARABIA'87 will be a landmark in the history of advertising and marketing in the Arab World."

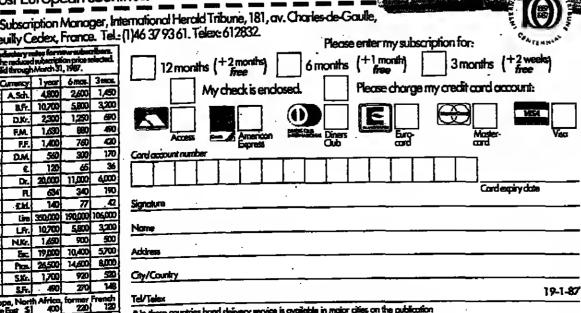
Hussin H. Eran - Hussein Enan President, Board of

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public comment Sunday. On Fri-day, he had rushed to New Delhi &

for an emergency meeting with Prime Minister Rajiv Gandhi, Mrs.

Gandhi's son and successor, to dis-

cuss the deteriorating situation in

Press Trust of India, the leading

news agency, reported that the po-

lice raid began shortly before mid-night and lasted two to three hours.

It said 75 people were rounded up

but that 25 persons were released after being identified as temple em-

Violence in Punjab has contin-

cent large-scale massacre of the kind that occurred when 22 persons

ued unabated in recent weeks, al-

though there has not been any re-

were mardered on a bus in Novem-

Nevertheless, prominent individ-

nals are frequently murdered by

Sikh extremists in Punjab.

ployees or worshipers.

Europe's Cold Snap Eases But Death Toll Keeps Rising

Compiled by Our Suff From Dispatches LONDON - Enrope's record cold wave loosened its grip in several regions Sunday, but freezing temperatures took more lives and many communities remained cut

Milder weather returned to parts of Europe after two weeks of snowstorms, bitter winds and record low temperatures from Siberia to Ireland. The weather-related death toll from the cold rose to at least

In Soviet Georgia, an avalanche killed three persons and forced the evacuation of about 2,000, a Soviet newspaper said. Sovietski Sport said the avalanche occurred Tuesday in the village of Khakmati in the Dusheti region.

It also reported that 500 vacationers had been evacuated from the Georgian ski resort of Gudanri

Renato Guttuso in 1981.

Guttuso, Painter

And Italian Foe

Of Fascism, Dies

after a long illness.

another five-year term.

of the Italian Senate. .

II began.

The Associated Press

ROME - Renato Guttuso, 75,

on the Communist Party ticket in

1974 and was re-elected in 1979 to

He painted an artistic record of

ent in principle to unite lat-

As yet, the new party has no name, nor is it clear what its ideolo-

gy will be. But portions of a docu-

ment related to the merger, published here this mouth, said the new

party would not establish pacts

(Continued from Page 1)

cio Cerezo and the defense minis-

ter, General Jaime Hernandez

Méndes, said Guatemala had nei-

ther ordered nor received weapons

from Portugal and had not served

as a cover destination or transship-

Both officials said General Cace-

res Rojas had not signed the certifi-cates. The defense minister said an

investigation would be started to

see whether "military officers in

previous governments' might have

Most of the certificates suppos-

edly supplied by Guatemala were

submitted to the Portuguese gov-

ernment by a company called Ener-

gy Resources International, which

entified itself as an agent for

Documents filed with Portugal's

National Armaments Directorate

give Energy Resources's address as 440 Maple Avenue East in Vienna,

Virginia, the address used at that

been involved in the shipments.

ment point for contra supplies.

the war, a series of canvases depict-

the village was cut off by an earlier 'ported and the extent of damage avalanche. was not known. Temperatures in the city, however, climbed to 5 de-Eastern Europe has experienced

some of the worst of the weather, grees contigrade (4) degrees Fahrbut temperatures in Moscow were climbing toward the freezing point, and last week's snow was turning to

France, which has been among the hardest hit of the Western Enropean nations, reported nine more

More than 60 people have frozen or died in weather-related accidents in seven days in France. Among the deaths reported Sunday were a vagrant found frozen on a street in the northeastern city of Strasbourg, and a 75-year-old man who was killed while lighting a gas oven in his home.

In northeastern Italy, Trieste Icebreakers were also out in the winds gusting up to 75 mph (120 kph) knocked down trees and pow-North and Baltic seas because commercial fishing was virtually brought to a halt by coastal pack er and telephone lines. No deaths in a 12-hour helicopter airlift after or injuries were immediately re-

> In East Germany, the tempera-ture dipped early Sunday to minus 20 degrees centigrade (4 degrees Fahrenheit) and soldiers were put to work at power plants.

In Italy, the Civil Defense Ministry reported that the past two weeks of rain, snow, high winds and rough seas had caused \$100 million in damages nationwide.

In West Germany, a 15-year-old

walking in the Bavarian Alps was

crushed to death when an ice slab

An ice jam on the Weser River at

Officials said the ice, 1.5 miles

(2.4 kilometers) long and 3 feet (one meter) thick, was too soft to be

blown free by explosives. It was the

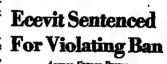
first ice jam to close the Weser

since 1946, when the Allies refused

to allow explosives to be used to

Bremen was threatening to cause flooding and icebreakers were

working to dislodge it.



IZMIR, Turkey — Bulent Ecevit, the former Turkish prime minister, was sentenced here Saturday to 11 months and 20 days in prison. on charges of violating a law that bans him from political activity until 1992, legal sources said.

Mr. Ecevit, 61, who was prime minister three times from 1974 to 1979 and was the former head of the now-dissolved Republican People Party, is restricted from politics under a law adopted after a mili-tary coup in 1980. Mr. Ecevit, who remained free on appeal, served a appeared on the evening television six-month prison term in 1981 for news last week to offer assurances criticizing the generals who led the

> Fie allegedly violated the ban four times, once in May 1986 and three times during elections in September, when he was said to have helped the Democratic Left party



Zhao Ziyang, right, the new acting general secretary of the Chinese Communist Party, greeting Ferenc Havasi, the leader of a Hungarian party delegation, in Beijing on Sunday.

CHINA: No Changes, Zhao Says

(Continued from Page 1)

disagreements and were uncertain

what to say next. A Western diplomat said that the key question to be resolved is whether Mr. Zhao is to be replaced

That decision would provide clues to the future of the Chinese adership and its direction, the

One possible candidate, Deputy Prime Minister Li Peng, 58, is considered to be an advocate of central planning and less than a strong supporter of Mr. Deng's changes, which include the decentralization of economic power and greater use

Mr. Li was prominently featured Sunday in an article on the front page of People's Daily, the coun-try's foremost newspaper. He was quoted as reassuring Chinese intelectuals about the importance of the role they play in society.

Mr. Li said the current campaign

against "bourgeois liberalization" was directed only against those intellectuals who reject the four cardinal principles of China, which include upholding socialism and the leadership of the Communist

The campaign has caused anxicty among many intellectuals. Some fear that their work will now be restricted and that they will be

forced to make self-criticisms or will even lose their jobs.

Mr. Li said that the Comm Party "cares for and trusts the broad masses of intellectuals."

Diplomats said that the promi-nence given to Mr. Li's remarks at a time when little information is available on leadership changes indicated that he was a strong contender for the position of prime

A Chinese source who is usually well informed said, however, that it was unlikely that anyone would be appointed to replace Mr. Zhao as ime minister soon.

Diplomats said that the mexpected strength of conservative of-ficials who have been critical of the pace and other aspects of policy changes raised questions about whether Mr. Deng and Mr. Zhao would have the power needed to push ahead with them.

begin more pro-democracy demon-nology of China at Hefei and then strations soon-

were wrong to start the demonstrations, which spread to more than a tion was likely to deepen the skepti-dozen cities in December and early January.

reprisals following the dismissal of Several students said over the the president and vice president of weekend that they had no plans to the University of Science and Techthe forced resignation of Mr. Hu. But the students indicated that The two university administrators

the current campaign against were accused of rejecting the Com-"bourgois liberalization" has done munist Party's leadership and insti-little to convince them that they gating student demonstrators. Analysts said Mr. Hu's resigna

Li Peng

say that this country is not ruled

according to capitalist principles?"

Sandinists do not do enough to

"Nicaragua is in a great crisis," Mr. Bravo said. "The counterrevo-

lutionary war is affecting every as-

pect of life and we have to see how

to end it. All of us inside the coun-

try should sit down and find inter-

nal solutions that would allow us to

live together. If the political groups

still in the country were united be-

hind a consensus program, the

counterrevolution would lose polit-

In a recent party statement, the

Communists said the Sandinists

attitude toward other parties in the

However, the statement praised the government for its "efforts to

Like many other Communist

parties, the one in Nicaragua is led by a strong figure, Eli Altamirano

Pérez, who ran for president in

1984. He is said to maintain tight

discipline over party members. It is

not known how many people be-

long to the group, but it is not

onsidered a major political force. One political observer said,

"Most people feel that if you're a

ist and you're in Nic

ical strength."

cooperate with their opponents.

The Communists also say the

Indian Police Enter Sikh Temple Complex

By Steven R. Weisman New York Times Service

NEW DELHI — Paramilitary police forces on Sunday entered the complex of the Golden Temple at Amritsar, the Sikh religion's holiest shrine, and arrested several persons suspected of involvement in terrorist activities, according to news reports here.

It was the second time in nine months that the police took the step of entering the shrine, whose sanctity has become a main point of contention in the struggle between militant Sikhs and the Indian government in Punjab state. The raid was reportedly confined

to office buildings and rest houses on the periphery of the temple. Sikh religious leaders immediately held an emergency meeting and denounced the move, vowing to prevent any further intrusion by the police into the Golden Temple

They charged that 200 innocent

militants, whose leaders had de-clared an independent Sikh nation called Khalistan.

The move shook the moderate Sikh political leadership, and Surjit Singh Barnala, the Punjab chief minister, was forced to do penance by cleaning the shoes of Sikh pil-grims at various shrines around the

The raid Sunday morning followed reports in recent weeks that some Sikh extremists had once again begun using the temple as a sanctuary from which to carry out

Such reports had led to the raid last May and also to the much bloodier army raid in June 1984. ordered by Prime Minister Indira Gandhi, in which hundreds of peo-ple were killed. Mrs. Gandhi was murdered the following October by two Sikh security guards in retalia-

Since the 1984 army raid, which was almost universally condemned by Sikh leaders, Sikhs have been extremely sensitive about the sauctity of the temple.

Mr. Barnala, a moderate Sikh whose political support has greatly eroded in recent months, made no

Ecuador's Leader

(Continued from Page 1)

the identities of the president's ab-

ductors or to interview them. Both General Medardo Salazar

Navas, the minister of defense, and

Colonel Patricio González, the

base commander, were among

those taken captive, as were the

commanders of Ecuador's navy

Mr. Febres Cordero, a 54-year-

old conservative who was elected in

closest U.S. allies in Latin America.

said his capture recalled Ecuador's

history of coups and military dicta-

torships and that he thought it had probably tarnished the country's

But he said he believed the rous

ng welcome he received here Fri-

day night after his release, when he

made a brief public appearance, demonstrated that Ecuadorans

In the incidents last March Gen

eral Vargas, 52, announced that he

had taken control of two air bases

and intended to hold them until the

defense minister, General Luis Piñ-

eiros, and the commander of the

army, General Manuel Albúja, re-

Four days later, the officers re-

signed. But General Vargas contin-

ned his rebellion, insisting that his demands had also included a crimi-

nal investigation that was not being

Mr. Febres Cordero, 55, sent

troops to put down the rebellion.

reported killed and General Vargas

was placed under arrest at a mili-

tary barracks, where he remained

want to live in a democracy.

nternational reputation.

and air force.

FREED:

AFGHAN: pilgrims and temple employees had been seized in the raid and that furniture and records were ran-The Press Trust of India said that six suspected terrorists had been arrested. The last time the police entered the temple was last May, when secarity forces routed more than 300

Some guerrilla groups had carlier this month. Saturday's rejec-

the Afghan National Liberation Front, one of the seven rebel groups, said, "The Soviet Union

Taking turns, the seven leaders spoke in Afghanistan's two main languages, Persian and Pashto, for more than four hours. They stood on a platform under fluttering

The crowd listened from a field used for playing buzkashi, the Af-ghan national sport in which teams of horsemen battle for control of the torso of a slaughtered calf or

Western relief workers based

to three million refugees in Pakistan had crossed the border back into Afghanistan in response to the Afghan government's appeal for refugees to return home.

Soviet and U.S. officials were in Pakistan on Sunday for separate talks with the government, Reuters reported from Islamabad.

Spokesmen for the Soviet and U.S. embassies ruled out a meeting

BBC Confirms It Canceled Show

LONDON - The British Broadcasting Corp. confirmed Sunday that it had shelved a television program that reportedly claimed that a £500 million (\$750 million) defense project was being kept secret from Parliament

the program on national security

In October, Ecuador's Congress voted to grant amnesty to General than £200 million to be reported to Vargas, but the president refused to the House of Commons. It did not

held from Parliament despite rules requiring all projects costing more than £200 million to be reported to enact the annesty until Saturday, give details about the project.

scribed the battle for Bovarian as

"classic bunker-to-bunker fighting

advancing step by step," through "enemy mine fields, strongholds,

swamps." It said "fleeing enemy

troops were tracked down and fer-

Rebels Reject Bid (Continued from Page 1) Press reported from Islamabad

The rebels also said guerrillas were stepping up attacks against govern-

turned down the cease-fire offer tion by all the groups came after weeklong meetings here.

Referring to the truce offer, Sibghatullah Mojaddidi, leader of wants us to help consolidate the rule of its puppets in Kabul."

green banners bearing Islamie slo-

here, and other Western and Afghan observers, described the raily as an impressive display of unity by the resistance movement, which is split by competing personalities, traditional loyalties and differing interpretations of Islam.

"This show of unity has dashed all Soviet hopes of a split in the resistance," said Gulbuddin Hekmatyar, head of another of the par-ties, Hezb-i Islami. "All the leaders are issuing fresh instructions to field commanders inside Afghanistan to step up raids on Communist

Officials in Pakistan's Commisesident of this country," he resion for Afghan Refugees said only alled, "but they kept on pushing Later, he said, as he resisted demands from his captors, he was told that an execution team had been formed. He said a man came into the room and said: "Twe been

Early this month, the Afghan put in charge of killing you."

It has been impossible to learn sovernment declared an amnesty for all Afghans who came home and agreed to stop fighting.

■ New Diplomatic Activity

A Soviet first deputy foreign minister, Anatoly G. Kovalev, arrived Saturday on short notice for May 1984 and has been one the talks that open Monday with Pakistani leaders.

between Mr. Kovalev and the U.S. undersecretary of state, Michael H. Armacost, who arrived Sunday. Mr. Kovaley's trip was an-

nounced Friday, 24 hours after a Pakistani Foreign Ministry spokesman had said no date had been fixed for his visit.

The corporation said it withheld

More than a dozen people were grounds. The weekly Observer newspay

said the program uncovered a secret defense project that was with-

WAR: Iran Presses Raid on Basra

(Configured from Page 1) Abu al-Khasib, about 10 miles (16

ilometers) down the Shatt al-Arah waterway from Basra. The refinery is presumably unused, since Iraqi oil production in the southern region has been stopped because of

the islands of Umm al Tovail and Fayyaz during "fierce fighting" overnight. Saturday, Iran claimed to have secured the strategic Bovar-

ian Island in the same area.

A dispatch Sunday from an Ira-

reted from their hiding places among the island's palm trees." The dispatch said the Iranians Iran said its forces had captured had moved on from the island

"which played an important role in the defense of enemy strongholds around Basra," to capture "Dovaivi township with its paved streets, a public park and ceme houses, which had been turned in nian correspondent at the front de- a military township by the Iraquire

(Continued from Page 1)

"Fortunately, there was Comer plumber who has been unem-

Rochet, who is 54. "Before there was work, but not now. Certainly, at my age, it's impossible."

Colucho's centers have become

the Italian painter, died Saturday Mr. Guttaso was elected senator

"His death is an extraordinary loss for the world of art and for our country," said Amintore Fanfani, the Christian Democratic president Paris subway available to the homeless after the trains stop run-Mr. Guttoso developed a Cubist style in the 1930s under the influ-

ence of Picasso, but he returned to leeping on the platforms. a more realistic style as World War The Communist daily L'Human-

Mood of Charity

second season of operation. luche," said Maurice Rochet, a for-

"I worked for 35 years," said Mr.

France this season that was ally cold weather. . The cold, which was followed by snowfall and arrived amid a series of public service strikes, has fo-

cern for one's fellow citizens.

governments, but also private orga-nizations, to go further" to help those "in situations of distress." The transportation authority, after refusing at first to make the

FRANCE:

lishments, which are now in their

ployed for three years, at the tent Friday.

n emblem of a particular mood in prompted most recently by unusu-

cused more attention on what might be called France's social misery index. It has produced more declarations in favor of "solidarity," which in French means con-Prime Minister Jacques Chirac

that the several thousand homeless coup. people in Paris could find beds in reception centers around the city. President François Mitterrand called in a public statement for "each one of us, the state and local

ning each night, left the doors open at some stations. People have been

village of Champiguy-sur-Mame east of Paris, where the Communist Party has controlled the local gov-

Party, known as the PRI.

General Secord, according to

congressional sources, had a major

role in the Iran arms operation and

in aiding the contras during the

congressional ban, apparently at the behest of Lieutenant Colonel

Oliver L. North, who was dismissed

recently from the National Security

Energy Resources gave the Gua-

ternalan certificates to a Lisbon

weapons dealer, Defex-Portugal.

Jose Garnel, one of three partners

in Defex, acknowledged handling

the Portuguese end of the pur-

chases, but said that the proper

papers certifying the Guatemala destination had been submitted to

At least two, and possibly sever-

al, of the nine shipments were

flown to Central America aboard

planes belonging to Southern Air Transport, which has acknowl-

the Portuguese government.

would not establish pacts has governed without interruption international organizations, for nearly 60 years, that a united

Sandinists, Communist Party: A Split on Ideology.

By Stephen Kinzer MANAGUA - Nicaragua's hat in the small but vocal Communist Party, once allied with the Sandinist & ernment, has turned to outspoken

edly to support proposals designed ties to Communist governments "If you go on strike in this countro weaken the Sandinists' control. around the world, seem mocomfort-In a typical show of indepen-dence, both Communist legislators that calls itself Communist. The jail," said Mr. Bravo, 49, an autoident Daniel Ortega Saavedra issued to Eugene Hasenfus, an American convicted of carrying

arms to U.S.-backed rebels seeking to topple the Sandinists. The party newspaper Avance has had considerable trouble with government censors, who, according to one editor, "cut anything that is seriously critical of the regime." The Communist Party is expect-ed to join other Sandinist oppo-

sition candidates in local elections scheduled for this year. The Sandinists, who openly ac-knowledge their ideological debt to refers to the Communists as the "so-called Communist Party." Until 1984, the Communist Party was part of the "patriotic front" that backed the Sandinist govern-

The Soviet Communist Party maintains relations with the Sandinists, thereby implicitly rejecting the credentials of the Nicaraguan Communist Party.
The Nicaraguan Communists

maintain their support of Moscow. but the party has a distinctly Nica-

raguan flavor. Its principal base is in trade unions, where leaders often complain about restrictions on their ability to organize.

country was characterized by "disrespect, crudeness, bribery, fac-tionalism and divisionism." This effort to form a united the Revolutionary Movement of suppress anti-Communism and

> unity. Missing, however, was the United Socialist Party of Mexico, a key group because of its size. Meetings among the leftist groups continued. Last fall, the United Socialist Party of Mexico, joined in, along with another Marx-

ist group, the Communist Union of the Left. The appearance of these two Marxist groups was too much for the Mexican Workers' Party, which

gua, you might as well join the But Mr. Bravo said, "They are Bonapartists," meaning that San-dinist leaders "have taken their abruptly dropped out. The Socialist Revolutionary Party also dropped out at about the same time, bringing the number of coali-tion members back to five. militarist attitudes into govern-

The contras have long been supplied with Eastern bloc munitions which apparently are preferred as a means of concealing the origins of the Western money that pays for

The following month, Defex submitted another five Guatemalan end-user certificates, dated Feb. 14, 1985. The documents listed a new Guatemalan agent, Energy Resources International, at the address in Virginia. The letterhead and the signatures were identical to those on the previous submissions.

But this time the certificates asked for 10,000 rifles, 10,000

is a March 5, 1985, letter from

purchased by Guatemala and to be ripped via Lisbon. On April 10 came another enduser certificate for additional equipment. While the U.S. agent-addressee was still Energy Resources, the address given for the company was the same as that of Defex, in Lisbon. A 10th and final

pounds of TNT, 1,500 detonators, certificate, again locating Energy

صكذا من الأصل

ing Nazi brutality against the Ital-ian partisans entitled "Gott mit uns," or God Be With Us. ernment for 40 years, ski jackets and sweaters had been distributed its ideology is a form of Marxism adapted to Nicaragua, but Com-munist Party leaders reject that asto the children of "the least advantaged people." The cost to local Big Protest in Sau Salvador taxpayers was about \$5,000. They are not Marxists, not even Many of the French remember close," said Ariel Bravo Lorio, one SAN SALVADOR - About the days when the homeless slept of two Communist members in the 10,000 people railied in San Salva-dor's on Saturday to protest gov-ernment economic measures and picturesquely under Paris's arched bridges and received public hand-National Assembly. "If they are Marxists, then I quit Marxism." nents to back a single slate of oppo-The extent to which the Commithe civil war. The demonstration But Mr. Arman noted Friday nist Party has moved into the oppowas organized by the country's that there were roads under the sition camp was visible during the recent legislative debate over a new largest worker and peasant organization, the National Union of Salbridges these days. Most of the homeless sleep in the government-Nicaraguan Constitution. Both Marxism and who maintain close vadoran Workers. supported reception centers. Mexico's Leftist Parties Try to Form a Unified Opposition an indication that the new group left will have no chance of actually By William Stockton would not be bound to Moscow or New York Times Service MEXICO CTTY -- Mexico's poparty will fail eventually because the People, joined with the first two among the leftist leaders there is and signed a pact as a step toward electing a president. But the left, perceiving an increasing disaffec-A united leftist party would be litical left, traditionally divided, is too much ambition and too little trying to unite into a single party that could present a greater chalsteadily worsening economic situa-tion, has concluded that this is an expected to take a strong anti-U.S. will to compromise ideas," said an line, calling for a moratorium on payments on Mexico's foreign debt official in the Interior Ministry, the opportune time to seek a larger role in national political life. government agency that oversees the political activities. "They will lenge to the governing party. Five leftist political groups, including the United Socialist Party and a sharp curtailment of pro-United we can attract all those grams that would increase Mexican soon be in disagreement." dependence on the United States people who belong to no party at The unification process began a of Mexico, the country's largest bnically and economically. year ago when two parties, the Revleftist group, have reached an The leftist leadership's hope is to

all, those who recognize our grave national situation but see nowhere field a single candidate in the 1988 to turn," said Pablo Gómez, secrepresidential election campaign who tary general of the Unified Mexi-can Socialist Party. The PRI, which has withstood could provide the strongest possi-ble challenge to the dominant par-ty, the Institutional Revolutionary pressure from the well-organized

cation effort with a mixture of dis-

air traffic controllers on takeoff.

But Southern Air flight logs later

filed with the U.S. Department of

Transportation indicate that flights

on the dates in question went from

Lisbon to Ilopango, in El Salvador. Ilopango, the main base of the Sal-

vadoran air force, has been identi-

fied as a major transit point for

Portugal operation began Dec. 21,

1984, when Defex sent three end-

user certificates to the Arms Direc-

torate, as required by Portuguese

The certificates are in the form of

letter addressed to Trans World

The paper trail that outlines the

weapons to the contras.

law for arms exports.

Guatemala.

olutionary Workers' Party and the Mexican Workers' Party, anconservative wing of the political spectrum, regards the leftist unifiand labor groups.

nounced plans to form the Authentic Party of the Mexican Revolution. The goal, party leaders said then, was to bring together farm Last May, three more groups, the Socialist Revolutionary Party, the Revolutionary Patriotic Party and

time by a company partly owned by Major General Richard V. So-cord, a retired air force officer.

edged a role in private efforts to cartridges and 50,000 unspecified resupply the contras. According to cartridges. The certificates are flight plans filled with Portuguese signed by General Caceres Rojas. with his name and an official dethe arms flights were destined for fense ministry seal stamped below. Guatemala has no diplomatic representation in Portugal with which the documents could have been checked. But Portuguese officials said they had no reason to doubt the veracity of the order,

> that neither raised objections. On Jan. 10, 1985, before the requested items had been shipped, Defex sent a letter to the Arms Directorate asking that permission to arrange the transit through Portugal to Guatemala of half a million rounds of 7.62mm ammuni-Arms Inc., of Montreal, as the tion from Bucharest. The Guatemalan purchasing agent. The Guatemalans had asked, the letter documents request 3,000 mortar said, that the shipment from Ro-

Portugal's first major weapons sale

in Central America. They said the

request was circulated through the

efense and foreign ministries, and

ARMS: \$5.6 Million in Illegal Contra Arms Shipments Apparently Made Through Lisbon

the equipment.

ture M-79 launchers or grenades, and so could not provide them. Of the 10,000 rifles requested, officials said, only 3,787 ultimately were sold. Of the 10,000 pounds of explosives requested, 6,700 pounds were shipped.
Next in the Arms Directorate file

Defex, requesting clearance to combine its next shipment with half a million rounds of Polishmade 7.62mm ammunition, also

150 M-79 grenade launchers with Resources at the Lisbon address, 10,000 grenades, 150,60mm mortars, 3,000 60mm grenades, 100 81mm mortars, 2,000 81mm grenades, 100 states of the shipments included, in address of the shipments included in address of the shipments in address of the shipments included in address of the shipments included in address of the shipments included in address of the shipments in address of t nades, 150 machine guns and 30 dition to rifles, explosives, mortars 57mm recoilless rifles. and ammunition, at least 20,000 The requests were approved in Portuguese-made anti-personnel grenades, one million 7.62mm rifle mania be combined with the up- part. Portugal does not manufacProperty of the Control of the Contr

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ADVERTISING SECTION

عملاً من الأمل

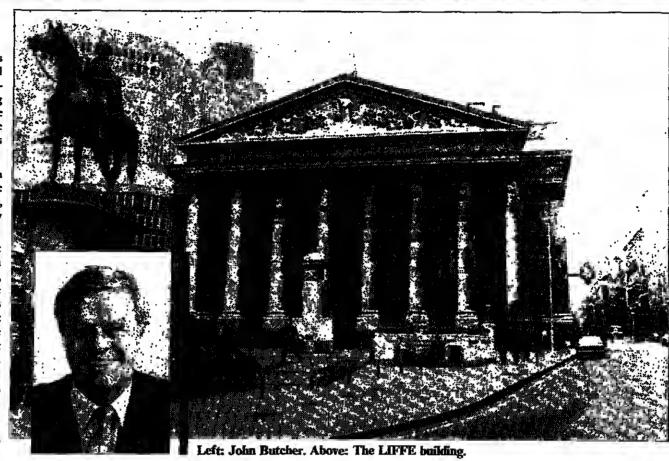
Britain's venture into privatization of government industries represents the country's most important economic and industrial change in the past four decades. Encompassing key industries led by the transport, energy, communications and shipbuilding sectors of the economy - it can probably also claim to have generated the most international interest in Britain over the same period. In a way, it has served to pioneer similar privatization plans in Europe and other parts of the world

The main voiced objectives of the government's privarization policy are that ir will achieve greater business efficiency, stimulate wider share ownership, increase competitiveness and, by so doing, allow the powers of the free market to achieve more than they could under state control.

The government argument is largely based on the fact that most of the important industries of the country failed as state-run corporations, were prey to polioical and bureaucratic involvement, and that government needs, under such a system, often had to be overlooked. Borrowing was underwritten by the government, was indistinguishable in market terms from other forms of public sector borrowing and, as a result, the needs of individual state industries, on occasion, had to be subordinated to macroeconomic requirements. While claims for greater expenditure may have been justifiable in commercial terms, they nevertheless had to be viewed against the totality of public expenditure. The constraints stemmed from the paramount need to preserve public accountability through Parliament for the use of public money.

On a broader horizon, the sale of state-run corporations has generated a massive flow of cash for the government which, in the short term, will undoubtedly solve more than a few economic ills. What happens in the long term will depend on its reinvestment skills. Obviously, on an economic, political and ideological footing, the privarization process has gathered more than a few critics, although its industrial success appears recently to have considerably held back the flood of rhetoric.

Privatization, however, still remains the main point of contention for the opposition Labor Party and, while it should be argued that only history will be able to gauge the program's long-term economic advantages or shortcomings, its all-round implications for the future do remain a major topic for debate.



The government's strongest card at this point is, undoubtedly, the record profit most of the companies have chalked up since privatization. John Butcher, the parliamentary Undersecretary of State for Industry, holds an impressive list and points out that this is just the beginning. "Privatization has revitalized some of our most important industries, has brought about the very changes that British industry has long needed - less state interference,

more efficiency, better service to customers, increased incentives

for management and employees," he said. "And the boost it has

given to wider share ownership has helped create a more positive

attitude among the public at large to the future of Briosh industry. It has created a new awareness at home and abroad."

The industrial success of the program, he says, can be measured in the sudden surge of profits from the newly privatized companies, many of which were floundering under state ownership and, very definitely, had lost their place in competitive world markets.

"The figures speak for themselves," he said, "The National Freight Consortium's pre-rax profits are up 70 percent for '85 and up six times since its 1982 privatization. Cable and Wireless has registered pre-tax profits up four-fold since its 1981 privatization. Amersham's pre-tax profit had doubled since it went to the private sector in 1982. Jaguar has come from near-bankruptcy and extinction to lead the country's automobile exports since its privatization in 1984. Its pre-tax profits were up 33 percent in 1985 compared to '81, with output at record levels and the provision of 1,500 new jobs. And British Aerospace has tripled its pre-tax profits since privatization in 1981."

Butcher believes that an important ingredient in the success of the privatization process has been the commitment of employees and the public to become involved in the country's own industry. "It has served to change the national culture," he said. "Individuals now no longer see share ownership as something for the rich. "It is something they can all become involved in. And when it means owning a part of their own company, then obviously it

brings a change of arritude. It is removing the old distinctions between owners and workers. I believe it has made management and workers together more dedicated to the task of succeeding. And I believe that together they have already shown that this

Employee interest in owning shares in their own companies has, feels Butcher, already served as a statement of their own commitment to the future of Brinsh industry.

"Over 430,000 employees have acquired shares in the firms they work in," says Butcher. "That represents over 87 percent of employees in privarized companies. When the National Freight Consortium was sold, 11,000 employees and their families bought 83 percent of the equity. A further 7,000 employees have bought shares since. And when British Telecom came on the market, 96 percent of its employees applied for shares."

Thirteen major companies have been privatized up to now but the government has plans to transfer around another four to the private sector, depending on market conditions, before the end of this Parliament. Those already privatized are British Aerospace. Cable and Wireless, Amersham International, the National Freight Consortium, Britoil, Associated British Ports, International Aeradio, Enterprise Oil, Sealink, Jaguar, Inmos, Brinish Telecom and British Gas. In the same privarization period, all six of Britain's warship yards were also sold, four of them in management buyouts, and six subsidiaries of the National Bus Company were sold, five in management buyouts. The four remaining state companies up for transfer are: Briosh Airways, National Bus, British Airports Authority and Rolls Royce,

By the end of 1987, after the BA, BAA and Rolls Royce sales, almost half of what comprised the state commercial sector in 1979 will have been sold to the private sector.

While there have been worries that privatization preempts funds for the private sector, Butcher feels they are unfounded. "The timing of sales is carefully planned," he says, "and the capacity of the market has been extended by new investors attracted by the very success of privatization. Market capacity as a result is very considerable - over £8 billion was raised by U.K. companies on the Stock Exchange up to December 1986."

Overseas interest in the privatization program continues to grow and is, in fact, providing room for a new export privatization know-how for many British institutions who have been involved in the British process. Two British banks are now involved in the first French privatization project of Saint-Gobain, the giant glass and building materials company. Several institutions have also been approached for other French privatization projects, and others in Europe and other parts of the world.

Where will it all lead? "In Britain, I'd like it to lead to much wider share ownership," said Butcher, "After all, 60 percent of our people now own their own homes and that's one of the highest ratios in the world. I think it would be magnificent if we could get 60 percent to own shares in industry and more people joining those who already have taken a real share in the nation's assets."

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French government for the floating of Banque Paribas and

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lishing such a track record of

successes, the Swiss Bank Cor-

poration now hopes to become

involved in many other coun-

Summer, in fact, envisions a

massive boom in European

trading as a result of Britain's

privatization programs which,

he said, are already spearhead-

Government began planning for the privatization of British Telecom, European investors had little interest in buying U.K. shares. In fact, the track record was so insignificant that the financial houses were hardly about to be inspired by Britain's venture into privarization or the vague interest of European investors. And when the Chief Execuove of the Swiss Bank Corporation Internacional Ltd. in London came forward with an offer to handle a European share tanche, no one took him too seriously. The Briosh Government obviously felt it worth a try but, rather cautiously, decided that Europe, in this case, would mean Switzerland only. The Europeans after all, had hardly fallen over themselves to play U.K. stock markets up to then and trying several European countries at the same time was not considered The Swiss Bank Corporation

had a different view. They felt ing similar plans in many other that the privatization process in countries. Britain would generate a new European interest and held immense potential. Such foresight paid off. The bank which had been a lone runner ar the seart. handled the Swiss share offers for British Telecom, Britoil and British Gas. It has also won the advisor's role for Banque Paribas. It is no longer a lone bidder for European offerings, having proven the market with the Telecom exercise, and has since ery imaginable area." had to join a long line-up of institutions in what is known While overseas share offerin-house as "the beauty parade"

to bid for the European tranche

According to Summer, the French appear to have the most active privatization program lined up, led by the massive Saint Gobain Corporation and Banque Paribas. There are also signs of increased activity in Germany, Holland and Austria. But the one market that could develop in the future is Italy which, Summer pointed out, "has enormous Government holdings going into almost ev-

ings in British corporations have met with some opposiofferings. It has, however, tion, Summer believed that the tially, the size of the £6 billion

In late 1983, when the Briosh turned its expertise to good use. Government's tightly con-offering was unthinkably large. "The involvement has trolled program, generally not It ended up being twice overhelped us enormously," ex- allowing more than 15-20 per- subscribed bur, a year previousplained Julian P. Summer, the cent to go to overseas investors, has, in fact, worked in favor of bank's execuove director. "We are one of the leading houses of

vantages to be gained from havhelped build on our name. said. "It generates a lot of interest for the companies involved European tranches and we have in world markets, and encourone more to handle. I don't ages greater investment. And one of the obvious advantages gained in Britain helped us to of having overseas tranches is to generate a better price."

Britoil experience. After a disastrous first issue, Britoil rathet nervously reviewed the next offer. But noises of the softening of oil prices, and posicive interest from Europe and Canada encouraged many to take tries' privatization processes. another look. "I think the only time over-

> seas offering could be really unpopular," said Summer, "would be if the man on the street in Britain couldn't buy them. But that's not possible with the British Government regulations. They have what is called a "claw-back" stipulation which means that if retail investors apply over a certain number, then some of the shares can be taken back." This happened with the bank's inidal allowance of 175 million British Gas shares worth £230 million. Under the claw-back clause, the bank was finally left with 102 million shares worth £137 million.

"It could be argued," said Summer, "that, as the deal got closer, British Gas could well have done without us. But, inily, it had seemed a mammoth

An additional government "There are many clear ad- benefit of having someone like the Swiss Bank Corporation, ing overseas shareholders," he around, cononued Summer, lies in using the bank's relatively low commission structure to lever lower prices from U.K. institutions involved. "The government use us to bash the institutions in Britain," said Summer. "If they are asking for He listed as an example, the a yield of ten percent, for example, then the government can argue that the European offering is only costing six percent." Summer explained that while his bank has kept its commission demands reladively low, it has achieved a great deal of benefits from being involved.

How does Summer see European interest growing in British shares from now on? "Well," he said, "British Telecom really turned the tables. There was suddenly an enormous European interest in British shares. And Telecom served as a successful promotional tool. People who invested in Telecom doubled their money instantly. Since then, I think the privatization programs have served to continuously awaken peoples attendon. And that has definitely meant an increase in European investing in Britain,"

This supplement is the first in a series of Special Business Expansion advertising sections, written and created by Anna Francis and Dominique Surel.

Schroder: A Hands-On Approach

Getting involved in privatization means getting involved in the operations of the companies themselves. For a merchant bank like Schroder, that has meant a variety of experiences: from sending in teams of financial expens to learn the ins and ours of running ports and transportation networks, to studying the latest advances in modern communications.

Derek Netherton, the directot of J. Henry Schroder Wagg Ltd. in London said, "It has been necessary for everyone working on privatization projects to fully understand the company and its all-around operations. When we became involved with the Association of British Ports, for example, we had to send in teams who, at first, had little idea of how a port actually worked. So, they had to stay and study the entire operation and ensure a thorough knowledge of each port facility Schroder eventually must write the prospectus, and that becomes the selling document, so a comprehensive study has to be made."

Schroder was, in fact, one of the city's first financial institutions to become involved in Britain's privatization lineup. In the early days of Prime Minister Margaret Thatcher's government, they were called in to advise the National Freight NFC as their own and were Corporation on its preparations for privatization.

"It was a difficult time for the company," said Netherton. "They held less than a ten percent share of the fragmented market. Their main competitors were the small haulers. They had been forced to reduce their work force on the parcels side due to the changing ways of parcel transportation. And

had was not at all profitable for either side. Their strength, however, lay in the delivery side of their business. They had reied to differentiate themselves from other delivery transporters by ensuring return loads. So, if they were delivering something from point A to point B, they would aim to get a load from point B back to point A. And they had moved into the fashion business with companies like Marks and Spencer, and into cold storage with distribution to and from depots. They were diversifying into areas where service was important. When you studied the overall picture, they had a lot of

opportunity." Schroder's task was to examine the different ways in which NFC might go about privatization. The government was eager to see NFC given a chance within the private sector, and finally a mutual decision was reached with NFC for a management-led buyout and a con-

"It was a politically attractive project for the government, whith was quite avid about making progress in privatization," said Netherton. "It was an early runner in the wider share ownership program and the company was fortunate in that its employees regarded prepared to take the risk of investing in it. It was, and still is, an encouraging example of

Schroder, however, had to wade through many difficulties to set the stage for the final buyout. First, the company had 2 £50-million debt problem; therefore it could not use its land assets as collateral because, technically, the creditors would the British Rail contract they move in if something went

wrong. The rule was finally Then there was a problem on the pension fund side. The fund represented two to three times public did not subscribe. the value of the company, although usually it should be lare in the day, had no time to government stepped in to fund the deficiency.

After the NPC experience, Schroder became involved in the far more complex attempt to privatize the Association of

"It was the ugly duckling turning into a swan story," said Netherton. "Schroder was called in rather late in the day to advise the government. So we sent off reams to different ports to examine the signation. The work force was shrinking - it was the time of casual labor at the docks and strong management. The dock labor scheme stipulated that all dockers were guaranteed work. And they were moving into containcrization, which served to de-

When we were called in, the government had decided to sell off only 51 percent of ABP, due to sensitivity within the workforce. We had to try and make the deal amactive to investors. So we had to fully comprehend every aspect of activity. Docks, to non-insiders,

usually mean crouble - unions and strikes. We decided that the yield on the shares should be about 10 percent. It was capitalized at £45 million, so it was small. The record did not look very good, so ABP required an excellent description and the employees needed to be ameliorated with free and pre-

On the day before floration. changed and the banks in- the merchant bank involved volved were able to acquire bet- with ABP signed documents ter security on these assets. for the government guaranteeing that it would take all unsold shares in the event that the

"Schroder, because it joined

only about half the worth. The do this," said Netherton. "But we obviously were concerned for its overall success. A press conference was called and the press could well have concentrated on all the negative points, like the unions and strikes and the low profits, or they could have gone the other way and talked about the potential of the property. But the press was very positive on the issue. And the ABP offering ended up being 33 times oversubscribed, so it worked our

> The government still held 49 percent of the shares, so whenthe second tranche came up for offering, it was decided to try and offer shares by tender.

"There were womies that it would not work," says Nethercrease the number of employees ton, "but they got a much berter price of £2.75 per share. It was a nervous time, though, because the market had rumed against us, so the £2.75-a-share achievement was rewarding. And the financial press acknowledged that we had obcained a better price, so it was considered a successful tender."

One of Schroder's most challenging involvements with modern technology in the British privarization lineup came with the second tender of Cable and Wireless, the little-known but giant British communica-

November 1981

public. In fact it was a very modern company and its technology was, in many ways, superior to that of British Telecom. It needed value for money advertising. It was going for a less-wide audience than British Telecom and did not want a repeat of over-subscription like the first share offering. It also wanted to raise its profile in Japan and Canada. It saw the Far Fast, for example, as a ma-

jor potential for growth."

Schroder came up with a

novel structure for the £900million Cable and Wireless offering. "We had to ensure that there were enough shares available for the public but, on the other hand, had to consider what would happen if the public did not go for the offering" said Netherron, "We had to figure out a balance. So we decided to sell some to the institutions first so we would be left with only a balance. If the institutions were already participating, then that showed a factor of confidence. Then we came up with an unusual structure where about 60 percent of the £900 million had to acrually sell. But, within this 60 percent, some 30 percent were bought by present shareholders so, in reality, there was only30" percent left for Cable and Wireless to hard-sell to the marker."

For Schroder, such involvement has only added to its active profile in the British economy. In 1985, the London division of the company posted record profits and participated in 22 public takeovers and bids concluded during the year.

As a result of its successful Cable and Wireless is the involvement with privariza-14th-largest company in the tion, Schroder is now advising country," said Netherton, "but overseas companies and govit was not well-known to the emments on similar ventures.

Telecom's New Commercial Approach

Five years 2go, 250,000 people in Britain were on a British Telecom (BT) waiting list for telephone installations. Those with a line had to rent their telephone apparatus from the company, and frequently had complaints on the service. That represented a captive clientele for Britzin's sole relecommunications company.

Today, the waiting list has been removed, customers can now choose and buy their own appararus from a large selection on the market or rent it if they prefer, and the complaints are quickly declining.

While British Telecom's recent improvements cannot all claim to have come about as a result of privatization - many changes were already in the early stages of implementation before the shares were floated the new company structure and the more innovative approach to management have allowed for broad-based expansion.

Willam P. Kember, British Telecom's Corporate Financial Controller, believes that privatization's most important impact on the company has been to change the whole "culture" of the communication giant's internal management structure.

"It has enabled us, in the first place, to make more of our decisions on commercial instead of political grounds," he

Kember pointed out that British Telecom itself is a part of one of the fastest and most competitive growth industries of this age and, as such, recuired a thoroughly commercial approach to business.

The new, commercially onented Telecom operation hopes to remain an active competitor in the world marketplace while. providing more comprehensive business and consumer services back home.

According to Kembler, BT already can claim to "run the best international relephone service in the world," basing his claim on, among other

things, the fact that the company is internationally reputed to have the most comprehensive range of self-dial services available through its national network In fact, Britain offers disect-dial links now to 173 countries - with Chinese links to Peking, Shanghai and Guangzhou becoming the 173rd last Dec. 1, BT also has the second largest share in Inrelear, the relecommunications satellite which has the U.S. as the biggest contributor, with France third behind Britain.

While BT has branched our into many different communications areas, particularly those relating to business, it has had to follow one constant major objective since privarization to keep prices down for the home

"During the period of high inflation countries like the U.S. and U.K. faced political pressure to increase their prices," said Kembler. "They were really out of balance but, in the past two to three years they have been ar the correct level, nearer to the actual cost. And there is a balance maintained."

The company has 1.5 million shareholders, including 95% of BT staff who bought into the company when it was turned over to the private sector in 1984 BT has found it very necessary to live up to their expectations.

This has not proven too difficult to achieve. BT has expanded on its digital services, installed sophisticated equipment in 6,000 telephone exchanges around the country as part of an ongoing modernization plan, instituted a chain of Telecom shops selling 2 wide variety of apparatus, and has built up a directory of business services to suit the needs of modern day commerce, finance and industry.

"Liberalization has allowed us to be more innovative and to increase our business activities," said Kembler. "We've had tremendous business, for thy as a result."

example, with Cellnet, the mobile phone system, with Prestel the on-line system, and the electronic mail box. And the freedom has allowed us to become active in cable TV and invest in half a dozen franchises. We have also moved into the acquisitions area. Since privatization. we hought the Canadian company Mittel which manufactures PABX equipment, International Air Radio which is less sir maffic control and air support communications, and Dislom in the United States which is the electronic mail system."

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One of the most successful innovations, already attracting world attention, has been the City Business System, a much screen dealing board for the financial community. Launched in 1982, the CBS was the first system of its kind in the world It features a relevision screen which doubles as a data display and touch keyboard. Its terminal can be used by dealers for accessing company information and for sending and receiving

"CBS has been very successful on the world marker," said Kembler, "We now have more 10 than 5,000 screens in operation and one new system a week is being installed."

Up to now, the CBS has sold well in Hong Kong, Australia and the United States, Since last October, a Japanese version, specially developed for that marker with Kanji characters for the visual display screen, has been distributed by Mitsui throughout Japan.

"The CBS success led us to develop similar systems for non-financial operations," added Kember.

Such innovations have all been good for British Telecom's internacional image and for the management. As Kember said: "British Telecom is definitely living in a more exciting time. A lot of commercial drive has been set free, and we have become very newswor-

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Saint - Gobain December 1986

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Cable & Wireless December 1985

British Aerospace May 1985

British Telecom November 1984

Enterprise Oil June 1984

Cable & Wireless November 1983

Associated British Ports February 1983

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ADVERTISING SECTION

Amersham Makes a Smooth Changeover

One of Britain's most interesting companies to bid for privatization was undoubtedly Amersham, the radioactive isotope supplier which, so to speak, got into the business by accident in the first place.

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Its debut in the field of producing and researching radioactive substances came after consignment of radium ore for luminous paint from the Belgian Congo destined for Germany was intercepted just a year after the declaration of World Wat II.

At that time, England did not have any radium but certainly have found use for some. So the government commissioned the company Thorium to refine the substance so it could be used for diverse applicarions such as luminous paint. Thorium passed on the task to one of its scientists to find a lab equipped for such a rask. The search was fruitless until one night, while consoling himself in a good old English pub in Amersham, the scientist was informed that a good piece of real estate with a house was up for sale eight next door. He bought the house, ser-up laboratories and the rest is history, including the Amersham staff who, after 46 years, still pay their visit to the famous pub, the White Lion.

A few years after the end of the war, great progress was made in the field of man-made radioactive products. In 1954, this whole development area became part of the U.K. Atomic Energy Authority and continued what was termed in those days its "peculiar operations." By 1958, it had asked the government to be responsible for manufacturing and marketing all products derived from radioisotopes. By 1964, it had become a self-accounting business operation.

With such an individualistic and strong business perception, it is no wonder that Amersham progressed so well, so quickly. As Burgess, the Chief Executive of Amersham points out: "Amersham has had a consis-

tent theme which has been that regardless of ownership, the opcration was always run as a commercial enterprise. So actually, privatization made no difference for us, as it did for a company like British Gas who were were never run as a commercial venture."

The privarization wave his

Amersham in 1971 when a bill was issued authorizing the govcomment to sell up to 49% of the company. The government, however, wanted to sell off the whole operation, so an Act of Parliament was required. The Act was announced in 1979 and when privatization occurred in February 1982, £71 million of shares pulled in £1.75 billion worth of applications. The first day trading generated £20 million, a blow to the government who had just previously overpriced the Britoil tender, and had now priced Amersham far

From the employees' point of view, Burgess recalled, privatization was initially received as a potential threat to their stable and secure jobs. "The company was successful," he says, "and they were getting good benefits, so they wondered whar privatization had in store for them. At that time there had been only two privatizations and Amersham was the third." Out of the endless discus-

sions between Amersham and

the government, emerged the creation of what is now referred to the Golden Share, "While working out a deal for us," said Burgess, "the government was also preparing for the privatizaoon of Britoil During one of our conversations, the topic came up of how they could keep some sore of control over the company, which was a must considering it was such an important resource of energy. So we all all came up with the concept of the Golden Share and it was decided that it would be applied to Amersham also. The Golden Share 25 applies to toany of the privatized companies, is an all-powerful govern-

ment share in a very restricted

cles of the company. It holds no values or dividends, but it can stipulate, for example, that no that the government has "powerful weapons to fight this if 15% and have no voting rights

until then." Dr. Burgess, a young 57 year old, joined Amersham in 1953 as a research chemist directly from University College, London and soon went into the production side. By 1960 he had switched to marketing and was running Amersham's U.S. company. "Amersham was always considered the oddball as far as



Dr. Burgess

the government was concerned," said Burgess. "We were small and yet commercial, so we were always allowed to ger on with the job. As long as the business was successful, there was a hands-off policy."

Although Amersham is known for its radioactive products, in the past few years its business has been shifting into noo-radioactive products. We've gone through a few stages since the lare forties," commented Burgess, "At first we dealt with natural radioactivity but then we were obviously limited by the supply of such substances. And as the products become more sophisticated we had to find an alternative route. Man-made radioactive substances are created through a nuclear reactor and we use two which operate by rate."

sense, which protects the arti-

But although radioactive products have been the lifeblood of Amersham, their skills one shall own more than 15% are evolving one step ahead of of the shares. Burgess explained the clients' demands. "We are getting more and more into the chemistry side to research and they suspect someone. They meeting the specialized needs can require him to sell down to of the customers regardless of whether or not they are radioactive," said Burgess. "We make, for example, diagnostic products which we call 'a chemistry set with a recipe.' This involves taking a blood sample and doing a test according m the instructions of our recipe. We'll provide the rube with a subscance and by following the instructions you can tell if the patient has cancer, is pregnant, or has a problem with the thyroid function."

Previously, nothing as sensiove as radioactivity existed, but Amersham has now come up with a unique technique that is even better. This consists of measuring with light, using signals instead of radio-activity. The advantage is that there is absolutely no radioactive use and the signals can automate the process. It is also more cost effective, quicker, and efficient.

Burgess is the first to recognize that the market is moving towards non-radioactive alternatives. "Amersham reacts to clients' needs," be said, "so we have introduced a new sector of non-radioactivity."

For the past five years, Amersham has experienced a 20% growth rate and is continuously diversifying. In 1986, out of the 120 new products added to its range, three quarters were non-radioactive.

Most of its exports are in Europe, representing half the export figure, with a quarter going to North America, and some in Japan, Amersham holds a strong position in North America with a 15% growth each year representing a 20% return. "We are successful," concludes Burgess, "because our products are first

Kleinwort Handles Big Privatization Moves

How does a merchant bank that owns part of the gold ring, has ship brokerage and substantial banking interests, operates a management advisory service, is involved in capital marketing, corporate finance, in futures and Eurobonds and Eurobonds and has just acquired a stockbroker, find the time to become heavily involved in Britain's privatization process?

Ask Kicinwort. It acted as advisor for British Aerospace, Cable and Wireless, the Association of British Ports and advised the British Government on Enterprise Oil, British Telecom and British Gas. In several of the early privatizations, in fact, it was playing a dual role in advising both the government and the company.

Kleinworr's success can obviously be put to good management. Its success at privatizaoon comes from the same spirit of drive and iniciative and, for Kleinwort in London, long hours put into achieving such goals. David Clementi, Director, explained: "Privatization is really not much different from corporate financing except for the marketing of the Government shares."

If that sounds simple, it really isn't. A merchant bank, like Kleinwort, generally is the first appointed for a povarization candidate. It will be expected to assume the role of coordination. The government will then appoint lawyers and then stockbrokers to advise and handle the institutional marketing of stocks. Highly qualified research teams will be brought in before the government moves on to appoint a public relacions company who will handle the the general public through the production, printing and distrimedia and also take care of the physical design of the prospecrus. A printer has to be chosen who can guarantee a no-flaw service for the abundance of literature required. In such appointments, Kleinwort has to advise the government on what to ask for and what to expect. They also have had to ensure that a good team was put together from the start.

Kleinwort was, so to speak. fossed into the deep end from the start of their association with privacization: the first project they tackled was British Acrospace, which represented a mammoth £150 million issue. After Briosh Telecom and British Gas, that figure today, seems small, but back at the time it was considered huge.

"With British Aerospace, we were really feeling the way." said Clementi. "We were acting for both the government and the company and setting the pattern of operation that we would follow in the future. There were the obvious quesoons: how do you present such a company? How do you gauge how many people will apply? We learned a lor from our involvement with Briosh Aerospace and we have built up a great deal of experience since

Clemeno said that the most difficult aspect of handling a privatization is the actual logisocs of the whole operation. British Aerospace, for example, represented over 30,000 applications but British Telecom brought in over 2 million. The details of handling the printing, distribution and follow-up

bution of millions of prospecruses - there were seven million for BT, which had to be available at several thousand locacions - create quite a mammoth task. And, as Clementi points out, "There is absolutely no room for error or delay. Nothing must go wrong."

عملاً من الأجل

In its advisory role to the government, Kleinwort draws from its own pool of expertise to study and evaluate a fourpoint structure leading up to the actual privatization process. It will deal with valuation, the capital structure, the proposed regulatory structure and the marketing procedures.

"In the valuation process, we examine the conceptual issues and the practical aspects," explained Clementi. "It's a process where we will be purting a money value on the sale price of the company.

On the capital structure side, decisions have to be made on how much debt or equity exist if a debt should be restructured. if preferential shares should be offered and the form the structure itself should take.

While Kleinwort is not actually involved in drawing up the regulatory structure generally the government outlines this it is expected to study the outline and to evaluate the impact that it will have. The marketing and structure of the offer will decide how many shares are going to be offered and whether or not the whole company should be sold at once or in a series of tranches.

"If it sold off in tranches," explained Clemeno, "the government can re-evaluate the val-

presentation to investors and for these applications, plus the uc at each stage and maybe make more money that way. For example, British Telecom sold 51% in one offering and the rest will be sold off

Selling in tranches, however. provides many more complexities. "It requires a great deal of study," said Clementi. "There are several problems to consider. Sometimes investors (in tranche offenings) tend to mark down the price because of the uncertainty. Then there are the Treasury's views on the subject. If the government stake remains greater than 50%, then it can be said that privatization is gerting out of the public sector

- if the government owns more than half, then the company is not really privarized. And, when the government does keep more than half, then the transitional stage is complex. For example, if the public holds 25%, then the government is not a passive shareholder so it would have the freedom to make political decision with its majority of shares"

But sorting out such problems, between all its other activities, has now become a regular task for the Kleinwort privatization team. It has led to Kleinwort advising the Malaysian government on the possible privatization of its telecommunications and ports sector. advising Saint-Gobain on its recent share issue and discussing other privatization schemes in the U.S., Canada, Scandinavia, the Netherlands, France, Italy and Spain.

As Clementi concluded "Our involvement in Britain's privatización has provided us with considerable expertise."

NFC has also moved heavily

NFC Emerges a Winner Fare couldn't have played a bet-

ter hand at sorting out the ownership of the Nacional Freight Consortium,

On the eve of floration, one of the company's largest contracts with Briosh Rail Express Parcels was suddenly cancelled, meaning a loss of £25 million worth of business. It appeared the government's only solution d be to sell the company off to the highest bidder.

However, according to NFC chairman Sir Perar Thomson, The thought of selling off NFC to the highest buyer really worried the management. We were asset-rich and had acres and acres of unused properties. old warehouse sites, that had good real estate value. We didn't want to see it all go. The only solution was to buy the company from the government ourselves. So, we went to the government and asked how it would feel about us trying to organize a management led buyout.

"To succeed, the management had to raise six million pounds. With that kind of money involved, it needed to fire enthusiasm among the enrire staff of the fifty companies oed up in the consortium. It also needed to go the rounds with lawyers and banks.

"We found a consortium of banks prepared to put up most of the money for a small amount of shares," said Muriel Craddock, public relations officer, "but it stipulated that the directors of the company must also make personal investments as proof that they would make it work."

The chairman put up £40,000 and then about 100 top-senior management staff were asked if they would consider putting forward £10,000 each to back the bid. All liked the idea, so the next step was to go around the country and talk to the 2,500 managers.

"We put together a roadshow on the scheme," said Craddock, "It travelled around for two weeks and was a resounding success." With the management behind them, the company now had to convince the employees to take a similar posicion. "The Chairman is a man

with a vision," continued Craddock, "so we wanted him up front, but there were 700 locaoons to be covered and he couldn't do them all.

"We made a video with an



NFC transports delicate office equipment.

oon. Then, one Sunday, special telephone lines were installed and the directors manned them to answer any questions that the staff had. Everyone was being offered a £200 interest-free loan to buy their shares and, because we really did not know what kind of feedback we would get from the staff, the and those back at NFC are offered shares. When it began same applied in pensioners and to tap the U.S. market, and their families. We needed to raise £6 million so it was huge bought its first U.S. company communications problem." in 1984, for example, over 70 The interest, however, eventually led to the company being oversubscribed and it now has 23,000 shareholders in the U.K.

"It wasn't easy going," explained Craddock. "We had to present the prospectus to all the workers from the drivers on through the fitters and the secretaries."

The verbal tonnage, and the managerial effort paid off and in February 1982, a check enabling the management-led buyout was handed over to the Secretary of State for Transport. Since then, the company has

vatization came," explained Sir-Peter Thomson, "we took 2 new look at the company. There were plans to be made, like how much should we reinvest into it, what kind of diversification should we go into. Above all, we wanted to watch costs and increase the dividends. You can't really quantify what privatization meant but it did make us more aware of our image. And it ended the constraints we had faced in the government sector. Before the change, we had been limited on money and had horrendous interest to pay the government. And there was a narrow, blinkered view of what we were allowed to do."

On the top of the list of the new company strategy was a accompanying text for distribu- decision to invest overseas in

the related service sector. Their first forcign acquisition was a company in Australia which had been suffering financial losses but has since been turned around into a profitable business. Others followed and with each acquisioon, overseas employees of the new company

percent of the U.S. employees purchased shares. Our long term strategy is to increase our overseas activities," explained Sir Peter. "By 1990, we expect that about 25% of our profits will come from abroad. We are a service industry and we want to ensure that we tid ourselves of business risks and become less depen-

dent on the Briosh economy. The solution to that is to buy abroad, but the companies must have the tight criteria, and must be synergetic with our companies in management never looked back. "When priand areas of business." The strategy seems to be paying off. Since privatizacon,

NFC has been able to invest £100 million a year into the business which more than douhles the government maximum

Diversification and expan sion of existing areas of business have gone hand in hand. It has, for example, spread its former British removals network overseas to the U.S., Australia, New Zealand, Hong Kong, Singapore and Spain. It is planning to move into a full international network that would pack up all types of objects in Britain, transport and unpack them overseas. "We're really into any type of movement of goods by road or people by air"

into distribution which has meant expanding computer systerns to handle the often complex rasks of coordination. It handles all of Marks and Spencers packages products, for example, runs a distribution operation for Sainsbury and is now looking out for companies wanting to sell the distribution side of their business. "We have 70 companies in NFC." said Sir Peter, "and they handle anything that moves from bulk distribution of liquid wastes and home removals to contract hire and total distribution."

While the general public is inclined to think of NFC as a transportation company, it does have other interests. It is currently Britain's second largest retail travel operator with 300 shops around the country and it also recently bought the business division of Lunn Poly which runs hotels and conference centers. It has even gotten into car auctions as an offshoot business to its car transportaoon activities. And it owns Freight Computer Services which provides software to companies at home and abroad. Bur an unexpected area of business has emerged in property development.

"After the NFC buyout," explained Sir Peter, "the company used some of its own real estate to help in the operating profits. The company had a lot of land with old, unused warehouses. Some were sold off and the others revamped. It created a better working environment. But, having moved into the property business, we thought that we might as well develop a property port-folio. Now, we are Britain's second largest developers of nonfood retail warehousing." If the management have one aim today, it is to keep growing on its own money. The Chairman added that there may also come a time reinvestment of £45 million 2 when the company decides to float its shares.

> Meanwhile, the 25,000 employees of NFC are sharing in the consortium's new found fortunes. Sir Peter concluded, "We have a family feeling, a group commitment. We all know about each other and work toward the same goal. Instead of us being the bosses these days, we find that the workers are ours. It's an unusual partnership that works. And we are growing faster than any other compenitor. Maybe we just had that touch of magic."

N EQUITIES

GOVERNMENT MANDATES

BRITISH GAS plc

European Offering of

101,728,050 Ordinary Shares of 25p each Offer Price: 135p per Share

BRITOIL pic European Offering of

24,000,000 Ordinary Shares of 10p each

Offer Price: 185p per Share

"ELECOM **British Telecommunications plc**

90,000,000 Ordinary Shares of 25p each

Price 130p per Ordinary Share

...and we are pleased to be advisers to the French and British Governments on two further privatisations.



Swiss Bank Corporation International Limited

Iran, Iraq and America

The fierce upsurge of fighting in the six-year-old war between Iran and Iraq has caught U.S. policy in disarray. The practical and principled position of neutrality, discouraging arms sales to either side, has been wrecked by news of the White House's covert policy, trading arms for hostages and

supplying intelligence to both sides.

The policy of neutrality recognized that the United States could not much influence events in the region. It also pivoted on the sad truth that the Iranian regime would have to bleed itself through war before diplomacy could prove feasible.

Significant quantities of Israeli and U.S. arms have been sold to Iran with apparently no thought of consequences, like a possible Iranian victory. The meddling has made Washington complicit in a remarkably bloody war, inviting the enmity of both sides. How did such misjudgments arise?

The regime of Ruhollah Khomeini is

a police state, a medieval theocracy and a sponsor of terrorism. But because in Western eyes the syntoliah belongs so firmly to the past, Washington has persistently misunderstood his present role and the en-ergies he taps in recasting Iranian society. The Carter administration failed to see how the mullahs' mobs could subvert the shah's well equipped army. The Reagan administration is constantly surprised at Iran's resilience on the battlefield.

The Iranians are believed to be so "desperate" for weapons, John Poindexter told President Reagan a year ago, that the provider would be able "to coercively influence near-term events." Aside from the lantastic misreading of Tehran politics, the Iranians were far from desperate; the next month they captured the oil terminal of Faw. As

the current offensive has re-emphasized, Iran can win but not lose, Iraq can lose but not win. In stretching and probing Iraci defenses, Iran may in this or a future campaign strike the decisive weak point.

Failure to understand the persistence of the avatollah's Iran made the White House vulnerable to manipulation by self-serving arms merchants. But the avatollah, the first Iranian ruler in centuries to dely foreign powers rather than accommodate them, turned out to be doing the manipulating.

Despite the White House's best efforts,

the U.S. position in the Gulf war is not a total disaster. Iraq still welcomes U.S. help, and Iran may recognize the need for a counterweight to its predatory neighbor in the north. Iranian politicians refer less often to America as a Great Satan, although perhaps only in puzziement at finding such extreme naiveté in place of devilish duplicity. What should the White House do now? Most important, recognize the merit of

casily manipulated, nor Iraq readily helped. Washington needs to stop meddling and practice the neutrality it preached.

Second, prepare for the possibility of an Iranian victory, even the establishment of another fundamentalist Shiite state in Iraq. Should that be tolerated, or prevented at all

inaction. Iran's internal politics cannot be

costs? If the latter, how? Finally, search out diplomatic opportunities, like a deal at the United Nations to censure Iraq for starting the war, in return for an Iranian cease-fire. That probably would not deflect the Iranians from their demand that Saddam Hussein go, but it might reinject a diplomatic resolution to a erous, destructive, endless war. -THE NEW YORK TIMES.

What Is the SDI Policy?

In Geneva, American and Soviet negotiators are trying to work out a strategic arms countrol agreement, but the battle that counts is being waged back in Washington. It is the infighting over the terms on which to deploy President Reagan's Strategic Defense Initiative for a space-based defense against missile attack. *

At the Reykjavik summit the president offered to forgo SDI deployment for 10 years, other issues being settled. This troubled some arms controllers who felt that he was still making unreasonably broad demands for interim research. Their misgivings were as nothing, however, to the deep dismay of those on the other side of the argument who felt that by agreeing to defer denloyment of the SDI he was consigning the program to a limbo of endless research, They have been lobbying fiercely ever since

to put deployment on an active track.
This effort is getting serious. It is not just advocates outside the Reagan administration who endorse early deployment but, now, leading figures inside. Secretary of Defense Caspar Weinberger is suggesting a quickened run at development of one part

of an anti-missile network so as to enable deployment to begin perhaps early in the next administration. Attorney General Ed-win Messe, who sits on the National Security Council, urges prompt deployment of a first SDf stage "so it will be in place and not tampered with by future administrations." They and others are pressing hard and publicly against the relatively more measured. State Department Ionnulations that the

president accepted at Reykjavík.

Does the administration hold with that
Reykjavík formulation? Is it still in favor of the 10-year deferral that Ronald Reagan proposed to Mikhail Gorbachev in October? Or is it moving toward a reversal, with all the international and political turbulence that would bring? Or is this simply one more case of the characteristic evolution of Mr. Reagan's strategic policy? One day the White House stitches up a position out of the unreconciled proposals of his different advisers and the next day whichever of them loses sets out to overturn it. This time, however, the question is crucial. What is the policy on deploying the SDI?

THE WASHINGTON POST.

After a Visit to Africa

On his long-overdue visit to Africa, what George Shultz has prescribed for the troubled continent is more private enterprise and more local initiative. That is good advice, but Africa's troubles and America's interests there require more. Apart from a discordant note on human rights, the trip was a welcome undertaking, especially if the administration is now ready to add substance to this new message.

The continent with the world's fastest population growth, Africa has in recent years been transformed from a net exporter of agricultural products into a net importer. Fluctuating world commodity prices have brought growing debt and shrinking revenues. The cycle of drought and famine and emergency relief has grown cruelly familiar.

These crushing problems have African leaders groping for solutions. Increasingly, as seen for example in the United Nations special session on Africa last May, their answers square with Mr. Shultz's emphasis on a free market and local initiative. Africa's leaders have been selling off state enterprises and emphasizing management train-ing, commerce and agricultural research. But encouraging economic growth and cutting public spending will be of limited use without better commodity prices, manageable debt terms and loreign aid. U.S. aid to the region has declined from more than \$1 billion in 1985 to \$664 million this year. Mr. Shultz picked six especially friendly nations to visit: Liberia, Senegal, Kenya, Cameroon, Nigeria and Ivory Coast. Even so, he heard some unhappy messages. Black Africa has been far lower on Ronald Reagan's priority list than on Jimmy Carter's, with the exception of troubled southern Africa. The Reagan policy of constructive engagement never played well in the rest of the continent. And in Liberia, Mr. Shultz's

claims of democratic gains under President

Samuel Doe perplexed and offended the Doe regime's victims and critics. Mr. Shultz's trip, the first by a Reagan secretary of state south of the Sahara, showed Africans that they finally have the administration's attention. Initiatives toward the free market demonstrate that Africans have been listening to the administration. The only way to sustain the momentum is to begin practical efforts together in one or two areas — debt management and food aid, say — and start accomplishing something concrete, Otherwise the Shultz visit will Iollow similar high-level American trips into the footnotes of history.

- THE NEW YORK TIMES.

Other Comment

AIDS: It's Prudent to Panic

f am not a doctor. f leave to scientists judgments about the potential spread of AIDS in the general population. Their judg-ments are in, and virtually none now doubts that AIDS spreads quite efficiently through ordinary heterosexual intercourse. Nobel laureate Dr. David Baltimore and Dr. Sheldon Wolff, co-chairmen of a six-month AIDS study for the U.S. National Academy of Sciences, concluded: "We are convince significant heterosexual spread of the AIDS virus is occurring now in the U.S." That should not be surprising, since it already has occurred in Africa and Hairi.

The realization of sexual tolerance on a mass scale was a major cultural achievement that, like cheap gas, we will not miss

until it disappears. Along with most of my post-World-War-II generation, I both sub-scribed to this liberated ethic and tried to take advantage of it. For homosexuals, of course, the revolution was even more dramatic, as was the subsequent promiscuity.

Today none of us wants to admit that we made a mistake, that this wonderful experiment was an epic social blunder, even as it becomes painfully clear that the venerable, mane prejudices against free sex had an ulterior hygienic function.

Perhaps once the AIDS crisis has passed it will be possible to rebuild a modestly promiscuous culture, f hope so. But lor now the responsible course is irresponsible. The course of prudence is to panic.

-Mickey Kaus, a correspondent for The New Republic, writing in The Washington Post.

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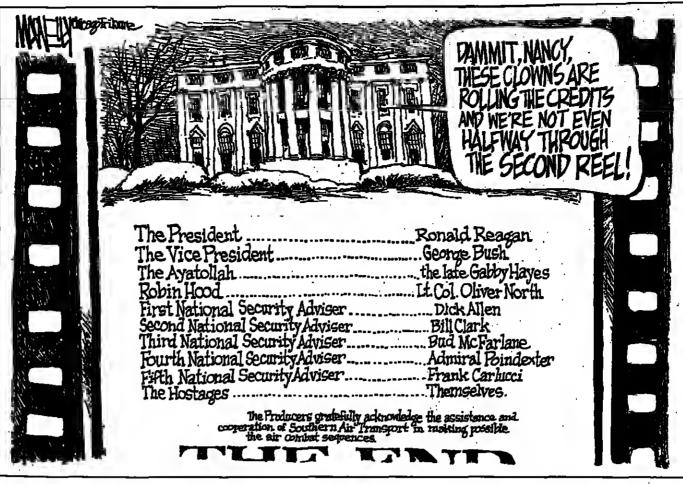
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OPINION



There Is Much Unfinished Business on King's Day

WASHINGTON — Today, Jan. 19, the United States for the second time commemorates the late Martin Luther King Jr. with a national holiday. On Oct. 26, 1960, Mr. King was traveling in Georgia in leg irons and handcuffs. Then 31, he had been imprisoned in an Atlanta jail on charges of breaking an anti-trespass law. He and 35 others, all black but one, had refused to leave Rich's Restaurant after waiters refused service.

After a week in two country jails, he was hauled to the state prison at Reidsville. A judge had sentenced him to four months because the sit-in arrest violated terms of probation imposed the month before on a traffic By Colman McCarthy

charge. Mr. King was unshackled and given the blue and white prison uniform common to Georgia convicts.

Although he would be released on bond after a day, he wrote to his wife that the jail trauma "is the cross that we must bear lor the freedom of our people." The religious metaphor provides the title of a new biography, the most exhaustive yet — Bearing the Cross: Martin Luther King Jr. and the Southern Christian Leadership Conference." The author is David J. Garrow, a political science professor at the City College of New York.

Memphis, Mr. King was advancing increasingly radical economic views: "Something is wrong with capitalism as it now stands in the United States. We are not interested in being integrated into this value structure. Power must be relocated, a radical redistribution of power must take place." He had been on too many marches

and made too many trips to Washing-ton to believe that a "property-cen-tered and profit-centered" system would yield voluntarily.

We must formulate a program, and we must fashion the new tactics which do not count on government

In the years before his murder in Nonviolence Was King's Chosen Tactic for Achieving Justice

ATLANTA — In 1935 a group of black leaders invited Mahatma Gandhi to come to America to assist their struggle for equality. Gandhi politely declined, replying, "How I wish I could, but I must make good the message here before I bring it to you ... It may be that through the American Negro the unadulterated message of nonviolence will be deliv-

By the time I first met him in Boston in 1951, Martin Luther King Jr. had already become interested in nonviolence. He was doing graduate work at Boston University. In addition to the classical thinkers, he had studied Kant, Hegel and Nietzsche, whose "will to power" be lound disturbing. The black church was the decisive influence in the formation of his religion, but he was much interested in the work of modern theologians such as Paul Tillich, Reinhold Niebuhr and Walter Rauschenbusch, whose "Christianity and the Social Crisis" left an indelible impression.

He had read Karl Marx, whose atheism and ethical relativism he re-jected, while accepting his point that private enterprise is too often rapa-cious and exploitive. "Under commu-

W President Reagan will deliv-er his seventh annual State of the

Union message. He will address the 100th Congress of the United States at the beginning of the 200th anniversary of the Constitution.

Cappy Weinberger says we are living through a "really remarkable American renaissance," but some folks in Washington think the state

They point to the record budget

and trade deficits, to the foreign policy and Wall Street scandals, to

the nuclear arms race and to the

gaps between the rich and the poor.

They are wondering out loud if something is not seriously wrong with the "the system," and suggesting that it should be changed. Some would put presidents in for six years instead of four; others would make it easier to recall dabs

from the White House and keep

better tabs on their health; others

want a national primary to nomi-

nate presidents, or constitutional

amendments to balance the budget

Here I proclaim myself a certi-

fied stick-in-the-mnd. I cannot re-

member a time when so many al-

luring reforms were floating down

the Potomac, some of them worth

considering or a worse time to

consider them seriously. The capi-tal is in a flighty and distracted mood, divided, leaderless and in no

shape to edit the founding fathers.

Besides, all this present uproar

between the White House and

Congress over sneaking guns to

Iran and the Nicaraguan contras

does not prove that "the system"

has broken down but that it is still

working, still exposing and correct-ing error, and still staggering along

It is not "the system" that is

wrong but some of the people who

have been evading and corrupting it. Oliver North, with or without

higher authority — we still don't know which — regarded Congress

after two centuries.

and stamp out abortion.

of the Union is not so hot.

By Coretta Scott King

nism, the individual soul is shackled by the chains of conformity," Martin later said in his sermon "How Should a Christian View Communism?" He continued: "In spite of its glowing talk about the welfare of the masses,

"We have a right to march without being beaten up." — Coretta Scott King, widow of Martin Luther King Jr., Speaking after a white crown attacked a "walk for brotherhood" Saturday in Alabanta, Page 3.

communism's methods and philosophy strip man of his dignity and worth, leaving him as little more than a depersonalized cog in the ever turning wheel of the state." At Atlanta's Morehouse College

he had read Thoreau's "Essay on Crv-il Disobedience" several times. He was stimulated by Thoreau's "refusal to cooperate with an evil system," but he did not yet see how it could be applied to challenge racism.

The turning point in his thinking came on a Sunday afternoon in 1949.

plated. "The system" did not

It did not, of course, tell how to

handle the Russians, or compete

with the Japanese, or preserve America's cities, or elect the most

qualified men and women to pub-lic office, or educate our children.

In fact, it assumed human stupid-ity, ambition, greed and religious fanaticism, and merely suggested a

few rules to hold things together.

It was defiance of the principl

of "accountability" that led to the mistakes at the Reykjavik summit

and the Iran-contra scandals, And

all these investigations are not de-

signed merely to rake over the past but to restore the principle of "ac-countability" in the future.

In this sense, the state of the

president is sad if not bad, but the

State of the Union is good, or any-

way fairly good. Cappy has stars in

his eyes as usual about a new re-

naissance, free of nuclear weapons

and defended by shields in outer space, but "the system" is keeping these dreams in balance.

There has not been a Reagan "counterrevolution" against the New Deal or the Great Society, but

merely a useful correction. The

public purposes of the Democratic glory days went too far along the

lines of the welfare state and had to

be amended, but they were not

destroyed. So the ideology of the

supply-siders with their emphasis on private gain is being tugged

Everywhere in the world, the at-

tempts to make human life con-

Iorm to some sharp ideology have

failed. Communism, socialism, free market capitalism are all in the

process of adjustment to the reali-

ties. It is an awkward, painful pro-

cess, but the answer to democra-

cy's problems is not less democracy

ity but more, and not more con-

The New York Times.

more, and not less accountabil

itation but more cooperation.

back to the middle.

let us down, it saved us.

The 'System' Will Survive

The Sad State of Reagan

By James Reston

WASHINGTON—On Jan, 27 as a missance to be avoided and

when he attended a lecture on the nonviolent movement in India by Professor Mordecai Johnson of Howard University. Martin wrote in his first book, "Stride Toward Free-dom": "Dr. Johnson had just re-turned from India, and to my great interest he spoke of the life and teach-ings of Mahatma Gandhi, His message was so profound and electrifying that I left the meeting and bought a half-dozen books on Gandhi's life and works." It was "in this Gandhian. emphasis on love and nonviolence

that I discovered the method for so-cial reform that I had been seeking."

When looking back at the 1955
Montgomery, Alabama, bus boycott, which launched his career as a civil rights leader, Martin wrote of the movement's philosophical origins, "Christ furnished the spirit, and Gandhi furnished the method." Martin Luther King Jr.'s pilgrim-

achieving justice, equality and peace. nomy and addiction to violence. O 1987 Coretta Scott King.

good will, but instead serve to compel unwilling authorities to yield to the

mandates of justice." mandates of justice."

In the last year of his life he suffered depression because he saw so few structural changes. When he went to Memphis in April 1968, he and the SCLC were trying to organize massive nonviolence that might include a "nationwide city-paralyzing demonstration" centered in Washington. Mr. King argued that "nonviolent protest must now mature to a new level ... massive civil disobenew level ... massive civil disobedience ... There must be more than a statement to the larger society, there must be a force that interrupts

its functioning at some key point."

Much of the American media had had it with Mr. King. His call for fracturing the routine order of the nation's capital prompted The Wash-ington Post to label it "an appeal to anarchy." The New York Times said that the Washington protest would be "counterproductive."

Mr. King pressed on with a strategy for mass civil disordences, over "if it means tying up the country." Demonstrators would be the "underclass that is locked out of the econo-

class that is locked out of the economy, people for whom a spring in jail in Washington is heaven compared to a spring of hunger and unemployment in Mississippi or Chicago."

Mr. Garrow, a scrupulous biographer, details the despair that Mr. King often left in trying to keep his followers from bolting. "I know I'm going to stay nonviolent no matter what happens, but a lot of neonle are what happens, but a lot of people are getting hurt and bitter, and they can't see it that way anymore."

He was tormented with doubts that he had done enough to change America's mind about race: "There aren't age to nonviolence provided the key to the success of his leadership. As America celebrates the second national holiday commemorating his hirthday, it also celebrates the triumph of nonviolence as a method for Washington Post Writers Group.

Symptomatic Crime Will Continue

THE Howard Beach incident on Dec. 20 - the beating and chase-to-the-

L death of a black man and the beating of his two companions by white youths from that New York neighborhood — is a reminder of the split in the historic base of the Democratic Party between working class whites and poor blacks. From Richard Nixon's "Southern strategy" to Ronald Resgan's talks

of "welfare queens," Republicans have wrung political profit from the white backlash. Now the deficit means that the kinds of social programs that might help the races to find common ground — national health insurance, quality

education for all, more police protection — are off the agenda, probably for

the rest of the century. Until the Democratic Party finds its historic voice, we

Stereotyping, Discrimination, Violence

THE justifiable fear and resentment of blacks against the bigotry of significant numbers of whites should be understood and understood sympathetically. The fear of crime is also understandable, and the fear of

sympathetically. The fear of crime is also understandante, and the real of black crime has some basis in truth. But none of these fears, among either blacks or whites, justify stereotyping, discrimination or violence.

— Edward I. Koch, mayor of New York City, in The New York Times.

Howard Beach Started 200 Years Ago

killed for being lost and lonely in the wrong neighborhood.

- Jack Beatty, an editor at The Atlantic, in The New York Times.

will not see the last of symptomatic crime like Howard Beach.

and still not exhaust the puzzle's intricacies. Three loose ends for tug-

ging on this snowy Paris day:
The too-good-to-check syndrome:
An inside joke at The Washington An inside joke at The Washington Post's daily page-one story conference involves particularly juice but not terribly consequential stories. "It's too good to check," a senior editor will joke — communicating to the originating editor that the story sounds good but fragile, and must be checked within an inch of its life. In Israel's original version of how it came to be involved in this mess, officials told Israeli newsmen that

Tugging On A Trio of

Loose Ends

By Jim Hoagland

DARIS - The unending revela-

I tions of fran-contra-Brunei-Isra-el-gate suggest that the Reagan ad-ministration has run its diplomacy

and national security planning on the principles of the junk bond market. By whatever name, this exercise turns

out to have been a field day for policy

salesmen and middlemen out to ac-quire real assets today on the cheap in

return for promises of a bigger payoff down the road for everybody else. You get the Ieeling that you could pull on the loose ends dangling from this story until the cows come home

officials told Israeli newsmen that Michael Ledeen, a consultant to the U.S. National Security Council, had asked for their help in getting the hostages out, and that they immediately ately turned their hand to helping out their friend Mike and Uncle Sam.

Under the pressure of disclosures in Washington, former Prime Minister Shimon Peres now says that the

Israelis subsequently checked with "higher authority" in Washington.
Early on, f asked a British friend who knows how Margaret Thatcher's mind works if Britain would have undertaken such a mission. "Only if the request came directly to her from the president, and only if it were fully explained by him," my friend answered. "The damage that could be done to the relationship in the event of disclosure would have been too comment for her to do other been. severe for her to do otherwise." .

My guess is that Mr. Peres is level-ing. Knowing Mr. Ledeen's role, the Israelis would have sought clearance from Vice President George Bush, it, not from Mr. Reagan himself, before proceeding. Mr. Bush, a former CIA director and United Nations ambassador, would have been the logical candidate to oversee this and many of the other covert operations that were run out of the White House,

His role continues to be the most tantalizing loose end.

The Saudi connection:

This year's Christmas card, the 11th annual reminder from Adnan Khashoggi of the one time we met, arrived a few days late. Adman proba-bly has a lot of other things on his mind at the moment.

Back in 1975, he was busily protecting two Sandi generals by claiming that be had solicited a bribe in their name but had actually pocketed the money himself. It is worth asking what he brought to this deal. On thing was familiarity with CIA involvement in arms transfers. Probably more important was an aura of official Saudi participation that could be as easily denied, if neces. sary, as was the relaying of a bribe.
It is possible that there are backers

for Mr. Khashoggi in Saudi Arabia who hoped to use the deal to take out separate secret insurance policies with Saudi Arabia's two proclaimed enemics, Iran and Israel, and to ingratiate the kingdom with a singularly unhelpful U.S. administration. Mr. Khashoggi would be deniable in fail-ure, claimable in success. The Brunei connection:

George Shultz says he has no idea what happened to the \$10 million that he got the sultan of Brunei to cough up for the contras. It seems to have gone into the North-Casey Geneva Charity Ior Needy Guerrillas of the World, then to have disappeared.

The sultan's previously unknown interest in Central America need not detain us. What may be of more import is his known interest in the Cambodian resistance groups fighting the Vietnamese. If \$10 million would help keep Washington involved in Southeast Asia's most vital conflict, it would have been an easy investment for the sultan — particularly if part of it came back to the Cambodians through the CIA shith fund.

That is the problem with loose ends. Look at them long enough and you see the craziest patterns begin-ning to form. You could even start telling yourself that the fact that a former White House official had significant financial dealings with Bru-nei, Saudi Arabia and South Korea (which has been particularly active in selling arms to Iran) at the time all this was all being put together could be important. Crazy, non?

The Washington Post,

A MERICA was racist even before the Constitution sanctioned slavery 200 years ago. At best it gets strong anti-racist leadership from politicians by It is years ago. At least it gets strong anni-necest seasoership from positicians by fits and starts. Racism has been explicitly supported, and at other times sanctioned by winks and by nods. People's lives are horribly stanted when they are denied adequate education, decent jobs, suitable housing and a sustaining hope. The need is for national and local leaders who fight those evils daily, not posturers who don't raise their voices until somebody has been

LETTER

Andreotti as Dupe? Of the many unusual images currently emanating from the Reagan White House, perhaps the most curious is the vision presented of Giulic Andreotti as a victim of William Wilson's deception. The idea seems to be that the former U.S. ambassador to the Holy See bamboozled Italy's cur-rent foreign minister (and, in the past, five-time prime minister) into believing that Mr. Wilson had been authorized by the U.S. government to confer in November 1985 with Moanmar Gadhafi of Libya, when in truth he was not Mr. Andreotti is probably the most experienced diplo-

matic wheeler and dealer this side of

the Iron Curtain, with an unmatched range of contacts. He is not known Ior a lack of mental acuity or guile. Mr. Wilson, on the other hand ... RICHARD HELLER, Rome.

IN OUR PAGES, 75 AND 50 YEARS AGO

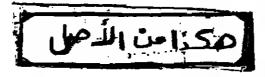
1912: Frozen Kingdom 1937: Philippines Policy LONDON - Great Britain is snow- MANILA - Outlining the purpose

- Roger Wilkins, in The New York Times.

the kingdom and their inhabitants are shivering as the result of the cold and the anowatorm, which have been except one for the public, and this have been lost. Business is practically at a standstill in Birmingham, Shef-field, Leicester, Bristol, Cardiff and Bath. Terrific storms are reported in big army in the Philin Scotland and Ireland. Racing, hunting and football were all stopped.

bound. While London escaped the heavy snowstorm which has blocked trains, wrecked telegraph lines and tied up traffic, many other parts of heavy snowstorm which has blocked at present by Major-General Douglas tied up traffic, many other parts of of the United States Army, President Manuel Quezon said [on Jan. 18]: "We aim to insure the safety of the prevailing for 48 hours. There are fierce gales, amounting to a hurricane in some places. London is practically isolated, as all wires to the Continent, to rely on their own resources of working with nine hours delay, are down. Some parts of England are from six to ten feet deep in snow. Reports show that scores of lives halt us." Allegations that the sejection of General MacArthur as his Chief of Staff indicates the existence of a plan to give the United States a big army in the Philippines to use in

denied by President Quezon.



1:25

Dollar Fallout Leaves Goldbugs Disappointed

HE DISAPPOINTMENT was almost palpable. In gold dealing rooms around the world last week, traders were expressing frustration at gold's laggard response to the turnoil in the currency markets. Although it had easily rebounded over the \$400 mark at the end of December and continued to make ground as the dollar slid, the price gains fell far short of expectations.

continued to make ground as the dollar slid, the price gains fell far short of expectations.

In fact, last Wednesday, when the dollar's drop suddenly accelerated amid reports that the Reagan administration wants the U.S. currency to fall further, gold managed only a \$6.90 an ounce gain in New York. Some analysts had expected double that

"The market was certainly more active," says Frederic S. Bogart, a senior vice president and gold trader at Republic national Bank in New York. "But I can't characterize it as solid business all day, be-

Indeed, much to the dismay of goldbugs, prices have moved upward at roughly the same pace as the dollar has declined. This is somewhat puzzling since gold, traditionally viewed as an alternative investment to the dollar, is considered more volatile. Thus, gold prices should be expected to swing wider than than the dollar's value on currency markets.

ADDING TO THE CONFUSION is the apparent equanimity with which the gold market has greeted OPEC's recent price accord, Although oil prices have firmed in repsonse to the agreement, it has not produced any widespread infla-

There are a number of factors blunting the current raily. A paramount problem in the minds of many observers is the lingering doubts about gold. Many investors were disappointed last year when gold broke through the "psychological" barrier of \$400 last September, climbed to \$443 in October, and then

proceeded to give up many of its gains. In retrospect, a number of observers blame unrealin terrospect, a number of observers biame utireal-istic expectations about supply and demand for the ill-fated rally. Platinum which ignited the surge in precious metals prices touched \$672 an ounce last Sept. 5 on fears that the unrest in South Africa would jeopardize the world's largest source for the metal. That did not come to past.

OREOVER, major gold producers, like the Soviet Union, are thought to have stepped up sales as prices became more attractive. "In the end, production tempered the buying," says Paul Cain, a precious metals analyst with Shearson Lehman Brothers.

Another development that has detracted from old's appeal has been the resurgence of interest in U.S. stocks now that the Dow Jones Industrial averhas vaulted over the 2,000 level. "A lot of people still belive the big plays are in financial assets," notes James Kneafsey, president of Cambridge Commodities Corp. in Massachusetts.

Despite such constraints, the market is far from bearish. Despite periodic corrections, prices appear firm. And if the dollar remains weak, many analysts say gold could once again climb above \$440 in the near term, possibly higher by the end of the year.

"Nobody is unhappy with gold," says Mr. Kneafsey, who thinks \$362 to \$443 may be a fair trading range.
"But you can see how a bull might be quite disappointed."

UPDATE

U.S. Voting Debate: The Latest Chapter



HE NEW YORK stock exchange's controversial proposal to loosen its one-share, one-vote rule has received a boost from a Securities and Exchange Commission study showing that stock prices change little when compa-nies issue common shares with limited voting rights. In study that has yet to be released, Annette Poul-

John Shad sen, acting chief econosen, acting ether economist for the SEC, said agency staffers examined about 65 companies that issued common shares with unequal voting rights and found "no significant impact on stock price." Megan Partch, a professor of finance at the University of Oregon, reached a similar conclusion in a separate study. "It seems that investors aren't bothered by a change in voting rights,"

Ms. Partch surmises. The Big Board, bowing to strong pressure from corporate America, is seeking SEC permission to allow companies to adopt dual-class common as long as a majority of shareholders and outside directors agree. The American Stock Exchange and the burgeoning over-the-counter market already permit the

Companies eager to avoid a hostile takeover sometimes issue high-yielding stock with little or no voting power in exchange for outstanding shares. Ms. Poulsen said the SEC study suggests that investors may believe that higher dividends and other inducements attached to the non-voting stock offsets any danger

posed by relinquishing control.

But such theories do little to silence critics. Robert Monks, president of Institutional Shareholders' Services, argues that price studies are misleading be-cause many companies that have issued dual class already had a high degree of power concentrated in

arready had a high degree of power concentrated in management. Furthermore, he said, inducements to accept voteless stock are "fundamentally coercive."

In public hearings last month, SEC Chairman John Shad suggested that he favored a compromise to the NYSE plan, possibly requiring a uniform standard among all exchanges. "I would suspect that is the way it will so." Ms. Ponlen says. An SEC is the way it will go," Ms. Poulen says. An SEC spokeswoman said the commission likely will act on the proposal sometime in the first quarter of this

Cashing In on Europe's Denationalizations

The sell-offs will continue in 1987, bringing some big names to market.

By Lynne Curry

T WAS DUBBED the perfect deal, and many investors found it hard to pass up. By the end of a weeklong public offering that followed an elaborate £41-million marketing campaign by the Thatcher government, more than 4 million individual investors had signed up to boy stock in British Gas under the most ambitious privatization plan ever

Thanks in part to a three-step payment plan that required an initial outlay of only 50 pence (about 75 U.S. cents) a share for the state-owned gas ntility, the 65.65 billion offering was easily oversubscribed. And despite some gramblings that there should have been a bigger response, British Gas had already climbed to 67 pence by the time it began officially trading Dec. 8 on the London Stock Exchange.

"It was a chance of making a little bit of money," recalls Eric Russell, a 41-year-old telecommunications superviser in London, who was lucky enough to get 350 shares at the offering price. He sold his stake when it hit 62.5 pence.

The success of the British Gas offering and equally enthusiatic market response last month to the French government's sale of Saint Gobain, the industrial glass and engineering group, indicate the kind of interest that privatization is generating in the investment com-

Ever since British Telecom was sold to the public in 1984, investors have been waiting eagerly for governments to sell off other state assets in the hopes of finding a similar bargain. The successful sale of the telephone utility is generally viewed as a watershed in the process of privatization because of the scale of offering and the interest it generated. At the same time, its share price has quadrupled since it was offered.

This year promises the heaviest schedule of privati-

zations to date. No fewer than 11 major industri countries are planning to sell off all or part of their interest in state-owned concerns, though the pace of the offerings is still unclear in many cases. These range from Iberia airlines in Spain to Japan's Nippon Tele-graph & Telephone. Even in the United States, where public ownership has traditionally played a relatively minor role in the economy, the government intends to sell off almost \$8 billion worth of assets, including its stake in the troubled national railroad, Conrail.

Not surprisingly, much of the investor interest has focused on Britain and France, which have put forth

(Continued on Page 10)



TELECOMMUNICATIONS British Telecom shares have quadrupled since it went public in 1984.



FINANCE Paribas will test investors' appetite for French banks.



MANUFACTURING A St. Gobain fiber plant. Its offering was major success for the government.

FOR SALE IN'87

The fifth-largest French bank in assets and a strong player in domestic and international capital markets. Paribas sale will set the tone for the planned denationalization of Credit Commercial de France Twenty-live percent of the capital has traded on the Bourse as nonvot-ing stock. Of the voting stock held by the government hall will be sold to the French public and the rest to French institutions, toreigners and bank employes.

Compagnie Generale d'Electricite has been designated as the next French industrial group to be sold off, possibly as aarly as May CGE recently paid 5577 million for 55.6 percent of a joint venture with TTT. The venture ranks as the second-largest lelecommunications group after AT&T Analysts believe CGE profit rose 15 to 20 percent in 1986 from 1985 s 1 2 billion trancs.

TF1. France's biggest television network, may also be on the block in the first half. Only 40 percent is expected to be sold publicly, with 60 percent to be placed with one or two big conglomarates. Overstatting was blamed by many observers for TF1's 176-million-franc loss in 1985, but it may have broken even in 1986. The sale could bring up to 5 billion francs.

British Airways

After years of delay, British Airways goes to the market next month, latching just under £1 billion by some estimates. The prospectus says the airline's pretax profit could tall 20 percent to £145 million in the year ending March 13, but analysts expect a better showing in fiscal 1988 Given the volating of the airline business, the issue has been pitched to big investors. Expected price is 120 to 135 peace a share. (About 20 percent of the ofler will be sold abroad)

British Airports Authority

British Airports Authority owns Heathrow, Galwick, and several other airports in Britain Deriving most of its revenue from landing fees and duty-free sales, analysts call it a steady, if slow-growing business. A potential constraint is the difficulty of enlarging its London-area terminals (The ofter could felch from £600 million to £1 billion | Estimated share price £1

Rolls Royce

This maker of aircraft engines has always had strong military orders but is beginning to cash in on its development of engines for civil aircraft, analysts say Pretax profit nearly tripled in 1985 to £81 million. Estimates of its sale value range from £500 million to £1 billion.

FUNDS=

A New Set of Sophisticated Funds

Their bag of tricks includes index arbitrage and portfolio insurance.

By Phil Roosevelt

iscourageD by program trading? Overwhelmed by those big institutions and their jazzy computers?

Don't despair, The U.S. mutual fund industry, which has long portrayed itself as a haven for "the little guy," is serving up some funds that plan to use the same computerized traches are resolved by New York and the programment of the little guy." techniques employed by Wall Street's most so-

Already, at least two mutual funds are using "portfolio insurance," a computerized hedging strategy involving stock-index futures. And another fund still in the works is planning to comple insurance with the most prominent form

couple insurance with the most prominent form of program trading, stock-index arbituges. Just how well this emerging breed of fund will perform is still anyone's guess. For now, however, the funds are at least winning some high marks for effort. "I think anything that gives investors more choice is beneficial," says Joseph Grundfest, a member of the Securities and Exchange Commission.

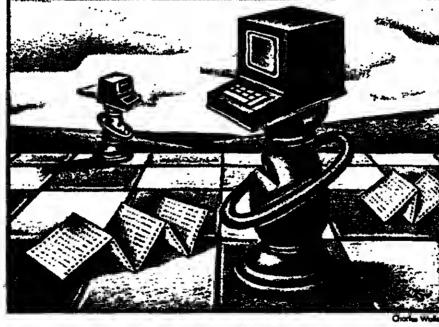
In the past, most individuals had little oppor-nuity to participate in program trading. Index arbitrage, a method of profiting on price dispar-ities between stocks and futures contracts, requires elaborate computers, anywhere from \$5 million to \$25 million in capital and a team of talented technicians. Portfolio insurance, though less demanding in its capital prerequisites, still calls for constant attention and a solid

grasp of hedging theory.

Now, the admission price is falling. With a minimum investment of \$2,500, for example, individuals can take part in Strategic Investing, a new mutual fund offered by Dreyfus Corp. The \$18-million fund backs up its selection of blue-chip stocks with an insurance strategy, hints it may try stock-index arbitrage and boasts an array of other techniques, including selling stocks short in falling markets and buying issues with borrowed money to leverage its portfolio

during rallies. Dreyfus maintains that all this gives the fund the flexibility to make money in almost any kind of market." And, in the first seven weeks after the fund's launch, net assets rose by 3 percent, compared to a 2 percent climb by the Standard & Poor's 500 index.

Tax changes in the United States are partly responsible for the creation of such funds. Michael Lipper, president of Lipper Analytical Services, says a tax provision that had discour-aged mutual funds from deriving more than 30



percent of their income from short-term investents was amended to exempt income earned

from "hedging."
But Mr. Lipper also suggests that fund managers sniffed an attractive marketing opportuniagas santed an attractive marketing opportuni-ty in program trading. "There is a consumer market intrigued by this kind of thing because of press reports saying, rightly or wrongly, that programs make stocks go up and down." He adds, "I imagine there will be more funds fol-lowing if these ones prove successful either from a marketing or an investing standpoint."

For investors, the main task is to examine how the techniques work and what they can and cannot - accomplish for the funds.

ORTFOLIO INSURANCE, the most common program strategy among the new funds, started to gain favor among institutional investors about two years ago, following the development of the stock-index futures market. The strategy calls for assembling a porticito that moves in step with a major stock index, and then reducing the risk through systematic use of futures con-tracts based on the index.

"You end up participating pretty well when the market is rising, and you can sleep at night when the market is falling," asserts Girish Reddy, a senior vice president at Leland O'Brien Rubenstein Associates, a money manage-ment firm and a leading practitioner of the

Over periods of five years of more, Mr. Reddy concedes, an insured stock portfolio will probe bly lag an uninsured counterpart because of hedging expenses. He adds, however, that an insured stock portfolio will generally outper-form financial assets invested the convential way: 60 percent in equity, the rest in money-market instruments. "Many investors are hedg-ing inefficiently." Mr. Reddy argues.

Portfolio insurance is central to the Equity-Guard Stock Fund, a \$20-million closed and fund that started trading on the American Stock Exchange last August. It is managed jointly by Republic Bank of Dallas and Skye Investment

The fund has about 40 stocks in a range of industries, yet the portfolio closely tracks the movements of the S&P 500. After an initial hedge is established, computers trigger the sale of futures as soon as the index drops by two or three percent. With any further decline in stocks, the fund can buy back the futures at a lower price, thus reaping a profit to offset equity

"If you set the trading threshold much lower

than 2 percent, the amount of extra safety you get is negligable, and the trading costs burt you," says Paul McEntire, president of Skye. EquityGuard officials maintain that their approach should result in annual returns of no less than zero in a bear market. In a bull year, they say, hedging expenses are likely to drag returns two to six percentage points below those of the S&P 500. From the fund's start in August through December, net assets rose 1.09 percent, while the S&P 500 fell by 3.21 percent

"We envision this appealing to a risk-averse individual who wants to earn more than he would in a money market fund," says Edward Anderson, chief investment officer at Rebublic-

For investors who want more excitement, Kidder, Peabody & Co. might have an answer. In a filing with the SEC, the firm has proposed a fund that would assemble a portfolio mirroring the S&P 500, back it up with computerized insurance efforts, and also use a form of stockindex arbitrage.
According to the filing, the fund may swap

(Continued on Page 11)



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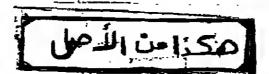
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Cashing In on Europe's Denationalizations

the most extensive plans for privarization. It has been a key compopent in the conservative agenda pursued by government of Prime Minister Margaret Thatcher since coming to power in 1979. So far more than £7 billion in state assets have been returned to the private sector. Aside from British Telecom, Jaguar, Britoil and Cable & Wireless have been among the more well-known companies to be

In the next three fiscal years, the official plan is to sell off £5 billion worth of assets a year, and the the range of targets for privatization. Those expected this year in-clude British Airways, Brush Air-ports Authority and Rolls Royce.

In France, the privatization pro-gram began last March with the triumph of conservative parties in legislative elections. Prime Minister Jacques Chirac has promised to sell off 65 companies, worth between 200 and 300 billion francs, over the next five or six years, reversing the 1982 program of nationalizations that followed the election of Socialist President

The list of assets includes such companies as Compagnie Financière de Paribes, Assurance Générale de France, Crédit Commercial de France and Compagnie Générale d'Electricité, TF1, France's biggest and oldest televi-son network, and Agence Havas, a media consiomerate.

Economic and political factors have spurred the rush toward pri-vatization. Faced with growing-budget pressures because of slow economic growth and rising unemployment, governments view privatization as a way of maintaining spending levels without borrowing or raising taxes. "It has become more politically impossible to go on raising taxes and this is a rela-tively painless way of obtaining additional revenues and avoiding the need to raise taxes," says Chil-ton Thomson, a director of American Express Asset Management.

There has also been a growing dissatisfaction with the inefficiency of many state-owned enter-prises, which are increasingly seen as unwieldy bureaucracies. Reluctant to continue meeting the cash demands of state run companies, governments would rather expose such industries to free market

forces to promote their competi

This particular government has felt for a long time that state interference was detrimental to running companies," notes Roger Nightingale, chief economist for Hoare Govett, referring to the Thatcher administration. "It wanted to get companies like Jag-uar and Amersham back into public ownership. These were ordi-nary companies that happened to

Of course, underpunning the privatization drive has been the long bull market in equities. Not only has it popularized share ownership, but has also expanded the capitalization of stock markets, enabling them to adequately absorb a series of large offerings. Newly privatized companies are

generally considered good short term investments by most analysts. Investors get exposure to parts of the economy they haven't been able to get at before," says James Anderson, manager of Eu-ropean equities at Baillie, Gifford and Co. Ltd., an Edinburgh fund manager. "They also get exposure to companies that have improved by being in nationalized hands."

Indeed, both the French and British governments have toiled in recent years to improve the quality of the companies they own. For example, British Airways went on a cost-cutting campaign last year that reduced its gross debt to £138 million by November from £379 million in March. And there is already talk that the Thatcher gov-ernment may assume the £200 mil-lion debt burden of Rolls Royce before the company is offered to

The effort has been particuliarly notable in France where the formet Socialist government is given nigh marks for restructuring the strial and financial sectors.

"We've seen a radical improve-ment in management," says Philip Gray, a director of GT Management in London, "We've seen the dogs go out of the market, They have been dramatically transformed. What's coming back is a completely different animal."

To insure a warm market response for privatized companies, governments also are paying special attention to pricing. In fact, the Thatcher government was criticized for underpricing the British Telecom issue, Fund managers say initial offerings in privatized companies have been priced at a deep mough discount to insure that the issue is overmbscribed. And in the past, they say, prices have risen at least 10 percent on the same day.
If they price it wrong, it will kill the golden goose," says Mr. Gray.

Still, not all state-mu compa-nies headed toward privatization are attractive. And there is still lingering concern about the longterm prospects for some comp nies. Despite improvements, debt levels in general remain fairly high relative to the private sector and some professional investors express concern about the ability of management to make a successful transition into a competitive envi-

And in Britain there is a belief that the real bargains have already been sold off. Although the gov-ernment has outlined plans to sell the Water Anthority, British Rail, British Steel, the Post Office, the Electricity Board and part of Brit-

Casting a Pall Over London's Gray Market

AST FALL, investors eager to deal in British Gas did not have to wait for the shares to be issued. Instead, they could trade in what is known as the gray market, where prices were being quoted on commitments to deliver shares when the issue was

But this freewheeling trading in privatization shares yet to be issued seems to be grinding to a halt, largely because of the government's anger over the frantic gray-market activity in British Gas sharea. Gray-market dealings fueled a speculative attitude toward the offering and greatly complicated its pricing, officials have com-

Until the flap over British Gas, London's gray market had been propelled along at a feverish pace by three niche players: Harvard Securities, Prior Harwin, and Cleveland Securities. With a fizzle unnoticed under the din of Britain's Rig Bang of deregulation, the first two recently withdrew from the gray market altogether, while Cleveland has sworn off advance dealing in priva-tization issues, including that of British Airways

We had such an adverse reaction in the U.K. press about our dealing in British Gas shares," prior to the official listing, says Harvey Lawrence, chief of corporate finance at Cleveland Securities, "that we've decided that we won't be active in gray market dealings during other privatiza-

Mr. Lawrence insists that there has been no official pressure from government authorities to close down the grey market. But Hill Samuel



Group, the merchant bank handling the British Airways floatation for the government, has let its distaste for gray-market dealing in the issue be known through reports appearing in the British

press commentary alleging that gray market dealing presents a misleading picture to investors about the anticipated pricing of a new issue, says, "In the past 80 issues, we've been absolutely right on the price, with the exception of one issue."

In the late-November £5.6-billion British Gas flotation, priced by the government at £1.35 per share, both Cleveland and Prior Harwin bore the

brunt of barbs that the gray market was under-bidding shares in British Gas by at least 10 pence. For Cleveland, as was the case with its two ned competitors, the roster of clients interested in playing the unofficial market includes large institutions — primarily banks and pension funds. "We've had several calls from institutional clients expressing disappointment about our deci-sion not to participate in privatization issues," Mr. Lawrence says, "they feel that our absence will mean a lack of a fair indication of price." []

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ish Petroleum if the Thatcher government triumphs in the next elec-tion, these privatizations are far more problematical because of serious financial and political diffi-

"Almost by definition the obvious, easy, attractive candidates have been done first," says Max Ward, who manages British equity portfolios at Baille Gifford, "We are now into the slightly more tricky ones being done. BA is even a less straight forward investmen that British Gas."

Not surprisingly, global portfolio managers are placing greater emphasis on the privatizations in France where banks, insurance concerns and media companies dominate the schedule.

"Paribas tends to be a little more attractive than the forthcoming British privatizations in lum-bering utility companies," says Richard Reid, an economist at Phillips & Drew. "Investment in. an aircraft company is not the most attractive stock for some investors."

N ADDITION, some analysts are more upbeat about the economic situation in France than in Britain. Michael Woodward, an investment manager at Ivory & Sime, an Edin-burgh-based pension fund manager, notes that French corporate profits are expected to grow faster than any other major European economy this year and next. As a result, the outlook for the Paris Bourse looks decidely more upbeat than for the London Stock

Aside from Paribas, whose consolidated net income is expected to reach compared to 3.7 billion francs (about \$587 million) in 1986, investors are also eagerly awaiting the privatization of Agence Havas, an advertising and publishing group that will likely be sold off this year. Thanks to its 25-percent stake in Canal Plus, France's nationwide cable television network, its net profit is fore-cast at 320 million francs in 1986, compared with 22.8 million francs

Likwise, analysts speak highly of CCF, a retail bank that specializes in information technology and has been growing faster than any other French bank, and As-surance Generale de France, the giant insurance concern whose 1986 earnings are estimated at 1.6 billion francs, up healthily from 1.3 billion francs in 1985.

Still, the recent weakness of the franc and industrial parest could delay the government's schedule. "Now the government has run into political trouble, there are out its privatization program at the rate and amounts which it is envisaging," says Amex's Mr. Thomson, who points out that increasing interest rates in defense of the franc could dervil the stockmarket's rally.

If so, this could will undoubtedty upset the delicate balance be-tween supply and demand that was so crucial to the success of the Saint Gobain issue. Some analysts are already worried that the bourse can absorb everything the

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government wants to bring to market. "This can't go on forever," says Wallace Wormley, direc- :::: tor of international capital man- ent at Prudential Insurance Co. in the United States.

Nonetheless, French companies " do not face the same threat of ... renationalization posed by the-possibility of a Labor Party victory in Britain's next general tion, expected this year. A Labor return to power could mean investors are repaid their share at issue cost, not at market value. Such fears, analysts say, have already prevented British Telecom's share price from rising rapidly.

A more immediate concern for .. individual investors, however, is how to obtain shares. The success of British Gas and Saint Gobain issues underscored the emphasis: both British and French governments place on attracting the small shareholders. In both instances, the amount allocated to institutions and overseas investors has been reduced.

Yet foreign investors have been small amounts they have been able to buy. In France, the government has restricted foreign ownership to 20 percent of future issues. Yet because of strong domestic demand the actual amount sold to foreigners has been smaller. In the case of Saint Gobain, 18 percent of the offering made its way into foreign hands. This compares with only 12 percent of the shares in British Gas, despite an initial allotment equivalent to 20 per-

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The insurance Game Hypothetical projections of how an insured portiolio would fare 12 months in two market scenarios. The uninsured portfolio tracks the S & P 500. **UP YEAR** DOWN YEAR Uninsured portfolio portfoilio Up 15.1% Uninsured portfoilio Down 19.5% 18 TIME IN MONTHS TIME IN MONTHS

An Emerging Breed of Funds Uses Computerized Strategies

(Confinned from Page 9)

stock for futures when the futures are underprised relative to the in-dex, effectively winning a quick profit while continuing to particig the machine pate in the index's performance. Conversely, the fund may jump back meto stock when the futures are overpriced compared to the

Arbitrage, however, could com-plicate Kidder's insurance effort, for program traders say that insur-ers are sometimes selling futures automatically at the same time arbitragers are buying the contracts. The Kidder filing does not spec-

ify how extensively the fund will use arbitrage, and Kidder officials refused to comment at all on the fund until the SEC takes action. But several program traders sug-gested that the fund, called the MarketGuard Appreciation Fund, may concentrate on the perfor-mance of its insured portfolio, becoming an arbitrager only under

"That fund could have some pizazz," said Jeffrey Miller, a princi-pal in Miller Tabak and Hirsch,

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which helped pioneer index arbitrage. "....If you worked hard enough at it, you could make up some of the costs of insurance," he

Not everyone, however, is opti-mistic about the future of "insured" funds. In fact, Wall Street has raised serious questions about portfolio insurance. While insured portfolios are believed to total \$40 billion, that is just a fraction of all

Critics point out that hedging with futures involves steep trans-action costs. This can can lead to mounting expenses in a flat market since a fund manager has no chance of making money on a contract unless its price varies. Moreover, hedging costs can also eat up profits during rallies. At the same time, there are no guarantees that insurers will excute their hedging properly in declining markets. "I think it's very risky," says William Morris, a pension consultant at Mercer-Meidinger Inc.

David Testa, president of T. Rowe Price Associates' Growth Stock fund, says he is unconvinced mutual funds can devise adequate



Bidding at the Chicago Mercantile Exchange on ing, and with Wall Street's maturing bull market prompting jitters among investors, more insurance make heavy use of index futures contracts.

insurance expenses. None of the new funds has as many methods at its disposal as the Dreyfus offering, but even so Mr. Testa wonders how many of Dreyfus' techniques are "appropriate adjuncts"

"If you're going to go out on leverage in a rising market and then use insurance to somehow underpin that position, I'd have to think real hard whether that

makes sense," Mr. Testa says. Whether index arbitrage can contribute significantly to returns in coming years is also debatable. Experts have long theorized that arbitrage opportunities will all but vanish as more players take part, and already arbitragers report di-minished opportunities with some index strates

More broadly, program traders are frequently blamed for contributing to stock market gyrations the very volatility insurers aim to avoid. When futures prices sink, critics complain, arbitragers buy up the contracts and dump mas-sive amounts of stock, depressing prices in hundreds of issues for argely technical reasons

Portfolio insurers are said to accelerate the stock dive when their computers trigger the sale of fu-tures. "The portfolio is insured, but the overall market volatility is increased," reasons Sandy Lin-coln, a pension consultant with A.S. Hansen Inc.

F SUCH WORRIES persist, regulators might evenmally clamp down on pro-

For now, however, program traders seem free to ply their trade. And, while the still-nascent stratee has yet to face th test of a prolonged bear market, practitioners insist the results have be pleasing so far. From Aug. 22 when the S&P 500 plunged 7.8 percent, the RepublicBank-Skye fund reported a drop of about three-quarters of one percent.
With stories like that circulat-

funds cannot be far behind.

Why the Funds Lagged the Market in '86

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The strength of blue chips made it hard for managers to outperform the major indexes.

By Vartanig G. Vartan

New York
NVESTORS STORMED into U.S. mutual funds last year, but they probably would have been better off investing in blue-chip stocks. Despite a healthy return, the average performance of equity funds in the United States lagged the Dow Jones Industrial average and the Standard & Poor's index of 500

The roster of 568 general equity funds produced an average total return of 13.39 percent. By contrast, the S&P 500 index had a total return, including dividends, of 18.71 percent, while the total return of the Dow average was 27.25 percent. The invest-ment concentration during 1986 on largecapitalization blue-chips is cited as the maor reason why the market indicators had a herter showing.

Thanks in part to the declining dollar, international funds ranked as the best per-forming sector of the mutual fund industry in 1986 with e total return averaging 53.25 percent. The internationals ranked second hind the health care funds in 1985.

Gold and precious metal funds staged a comeback. As a group, their performan ranked second only to the international funds and showed an average total return

Results for the fourth quarter, however, showed a change in leadership. "Capital appreciation funds and technology funds -relatively poor performers for the year as a whole -- ranked among the best gainers," according to Michael Lipper, president of Lipper Analytical Services, which monitors the fund industry.

For the final quarter alone, top honors went to two small funds. First was the \$4.3milion Delcap Fund I with a return of 17.36 percent. It was followed by 44 Wall **How Mutual Funds Have Performed**

Funds showing largest percentage changes in net asset value in 1986 from 1985, and in fourth quarter from previous quarter."

Gainers		Losers		
New England Zenith		88 Fund	-30.54% -26.05	
Capital Growth	+95.21%	American Heritage		
Marrill Lynch Pacific	+78.05	Fidelity Select Electronics	-23.85	
Nomura		Bowser Growth	-22.89	
Pacific Basin	+74.46	Stretegic Capital Gains	-21.39	
Newport Far East	+73.26	Dividend/Growth Laser,		
Financial Portfolio	+72.49	Advanced Technology	-21.16	
Pacific		Steadman		
GT Pacific Growth	+70.04	American Industry	-19.72	
Fidelity Overseas	+69.25	44 Wall Street	-16.26	
BBK International	+61.97	Fidelity Select		
T. Rowe Price		Energy Services	-15.75	
Internetional +61.29 GT Japan Growth +60.62		First Investors		
		Natural Resources	-14.85	

GT Japan Growth	+60.62	Natural Resources -14.85			
Quarterly Chan	iges				
Gainers		Losers			
Delcap Fund I	+17.36%	Strategic Silver	-10.43%		
44 Wall Street Equity	+17.11	Bowser Growth	-9.90		
First Investors U.S. Government Plus I	+14.86	Rochester Convertible	-8.63		
Financial Portfolio		Sherman Dean Fund	-8.57		
Technology	+13.94	Schield Aggrassive			
USAA Gold	+12.89	Growth	-7.82		
Trustees Commingled International	+12.84	American Capitel Life Stock	-7.72		
Benham Target 2010	+11.43	Rochester Growth	-6.95		
Fidelity Select		Weelth Monitors	-8.94		
Computer	+11,00	Fidelity Select			
Gintel Érisa	+10.83	Life Insurance	-6.77		
IDS Precious Metals	+10.41	Strategic Capital Gains	-6.44		

Street Equity, with assets of \$8.2 million, which was ahead 17.11 percent. Both are capital appreciation funds, which as small funds can rack up excellent performance records by hitting it right on just a few

Similarly, the No. I performer for the full year, out of a total of 950 funds of all types, was the \$7-million New England Zenith Capital Growth with a gain of 95.21 percent. The fund is a variable life insurance product offered by New England Mutual Life Insurance Co., which owns majority control of Loomis Sayles, the fund's investment adviser.

G. Kenneth Heebner, portfolio manager of the Boston-based fund, found a winner in Home Shopping Network, a new issue

that rose sevenfold between May and De-

"We went in and out of Home Shopping several times during the year." Heebner says. His fund currently has about 25 percent of its portfolio in technology stocks that are focused on the microcomputer business or small computers, including Apple Computer, Lotus Development, Digital Equipment, Telex and Seagate Technology.

UTUAL FUNDS coocentrating their investments in the Pacific Basin showed the best records among the internationals. The best performer in that group was the \$420 million Merril Lynch Pacific Fund, which benefitted from the sharp rise of Japanese stocks.

"Slightly less than 75 percent of our assets are curreotly invested in Japan," says Stephen 1. Silverman, the portfolio manager. "We continue to favor property-casualty stocks, which have very conservative accounting practices that, in effect, hide their earnings dramatically." The fund's largest single holding is an Australian stock, AFP Investment Corp., a holding company that constitutes 7 percent of the

Fidelity Overseas Fund, the industry's top performer in 1985, when it gained 78.68 percent, took seventh place last year with a return of 69.25 percent.

The \$6.5-billion Fidelity Magellan Fund, which is managed by Peter Lynch, shows the best performance for the 5, 10 and 15 years ended in 1986. Over 15 years, for example, its total return is 1,721.83 percent. Magellan rose 23.74 percent last year.

Natural resource and technology funds along with small company growth funds, ranked among the laggards in 1986.

The two poorest performers - 88 Fund and American Heritage Fund - were among the smallest funds covered in the survey. The 88 Fund, based in Columbus, Ohio, invests only in Ohio-based companies. For the year, it showed a decline of 30.54 percent. The current market value of its portfolio is \$145,000.

American Heritage, based in New York City, has \$600,000 in net assets. It dropped 26.05 percent in value last year. At both organizations, officials said that, in large part, the poor performance was a function of the fund's size. For e small fund, they noted, the legal, accounting and other expenses can offset any performance gains.

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By Karen Polk

New York NVESTORS IN U.S. over-the-counter stocks have a new tool to help them pick their way through the more than 4,000 issues that trade. through Nasdaq. Last November the National Association of Securities Dealers began publishing a monthly list of the "short interest" in stocks traded in

the organization's computerized quotation system.

Brokers and analysis alike welcome the availability
of the information, which has long been used on U.S.
stock exchanges. Short interest measures the total oumber of shares in a particular company that have been borrowed and sold by short-sellers. These are speculators who are betting that the stock will decline and allow them to turn a profit by replacing it at a lower price. Not surprisingly, it has been traditional-ly viewed as a gauge of investor sentiment.

Moreover, since every share borrowed must be 'covered" at some point in the future, the practice provides a pool of eventual buyers. When the number of shares sold short is high, it could indicate a wave of buying in the future.

But experts caution that however beneficial the added information is to the OTC market, individual investors should take care in applying it in their

The monthly listings are the result of a study undertaken by the NASD and released last July in answer to requests from the Securities and Exchange Commission to standardize reporting practices in the various markets. It was also came in response to

Sizing Up Short Sales

- Experts say short interest is generally not meaningful as a sentiment indicator unless it is equivalent to at least 10 to 29 percent of a company's total outstanding shares.
- Try to determine a reason for the short position. Ask your broker about recent research recommendations or arbitrage possibilities involving the company satock.
- It is best to compare short interest data from manth to month to determine it a .. short position is increasing or decreasing.
- To get a rough idea about how many days it would take to cover a short position, dwite the monthly short interest catal by the everage daily trading volume. A short interest ratio of more than 1-bhas facilitonally been wewerlas a builts! indicator.

pressure from a number of companies that complained of what they believed to be excessive short

selling in their stocks. They daimed that the short-sellers artificially depressed the value of stocks. Although this is a common complaint when it comes to short-selling, it was an especially worrisome to the managers of the smallcapitalization companies that populate the OTC market. And prior to the study, horror stories about short-selling abounded, with many investors suspect-ing that OTC stocks were routinely victimized by short-sellers.

The results of the study were surprising, however.
There was far less short-selling in the OTC market
than had been expected, and less than in the listed

exchanges. And when there was a significant short interest to a particular stock, it was often for all the right reasons; the fundamentals did not hold up under analysis and the stock took a plunge.

The big surprise that the new data has shown is that everybody was expecting the OTC short sale figures to be so buge because there's so much shorting done in this marketplace, and that's simply not the case," says Alan deVries, first vice president and retail national product manager for OTC equities at E.F. Hotton.

Many short sellers (eel vindicated by the news and by what they have observed in the two listings that have been published to date. "Short-selling is a very legitimate market mechanism," says Jack A. Sullivan. who tracks OTC stocks for Van Kasper & Co., a San Francisco-based brokerage.

Moreover, many observers believe publishing short interest is a vital step in the development of the

Nasdaq market.
"Each time the NASD has [made disclosures] there's been a flood of business coming in because there's more information for investors to make their decisions. If investors feel that the market is maturing more people invest in it," says Peter DaPuzzo, senior executive vice president of Shearson Lehman Brothers Inc. and head of its OTC trading desk.

Understanding this new mechanism and interpreting the information may take practice, however. The monthly published charts list the number of short positions in a stock, compare it to the previous month and sometimes list the average daily trading volume for that stock. But to take that information at face value and make a judgement on it, "would be too risky," says Eugene Finn, chief economist for the NASD.

The reason is that short figures do not always reflect the opinion that investors may have about a particular stock. If a company is also trading convertibles, warrants or options, it may be that arbitragents are short-selling a higher priced common stock while buying up other, possibly lower priced equivalent securities.

The NASD indicates potential arbitrage candidates on its list, but the association limits its search for arbitrage opportunities to instruments listed on

Nasdaq and the stock exchanges. Many companies in the OTC market, however, trade instruments equivaient with their common stocks through the daily "pink sheets" that are published by the National Quotation Bureau Inc. in Jersey City, New Jersey.

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Of the 10 companies with the largest short interest listed in the December report, only four were flagged for arbitrageable instruments. But two others — Electromedics inc., which manufacures electical machin-ery, and Thousand Trails, which operates campgrounds - had warrants attached to them that were traded through the pink sheets.

In both instances, traders suspect that arbitrage activity contributed to the short position. In the case of Electromedics, the short interest was equivalent to 3.7 percent of its 42.5 million outstanding shares. For Thousand Trails, the figure stood at 34.5 percent, but its total float is only 4 million common shares.

Moreover, a sizeable short position might actually reflect a battle between supporters and short-sellers of a stock, which often creates wild price fluctuations. "The two groups are both acting on what they believe to be a correct analysis of the company. They are just differences of opinion," says Mr. Fion.

With the reporting still in its early stages, problems have already arisen. In the first listing, which appeared in late November, two stocks were reported to have short interest far above and below the actual figures. An investigation by the NASD uncovered a glitch in the software program that firms use to calculate the short positions, according to NASD officials. The discovery led to the reevaluation of all the November figures, and the NASD urged inves-tors to use the revised November figures that were listed in the December charts.

But despite a troubled start, some experts are already drawing favorable conclusions based on the short interest data. The December listings of short interest, they note, showed a 3 percent decline over the revised November figures, compared to only a fractional decline in short interest on the Big Board. At the same time, prices were up on the listed exchanges while the NASDAQ composite index fell 2 percent - a sign of possible bargains for the new

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STRATEGY

Choosing the Right Dollar

Seeking haven in the one from Canada.

NVESTORS who have been overwhelmed by the turbulence that has surrounded European currencies and the dollar this month might want to take a second look at the Canadian dollar.

Last week, Merrill Lynch recweight Canadian dollar instru-ments in their bond holdings. As a guide, Merrill doubled the exposure in their own model portfolio to 10 percent, while cutting back on Australian and New Zealand dollar instruments. Although it is nowhere near Merrill's suggested 25-percent exposure to West German government bonds, it is still significant considering that 3 per-cent is a normal weighting for Canadian dollar bonds.

Michael Rosenberg, head of international fixed-income research for Merrill Lynch, attributes the portfolio adjustment to a fondness for undervalued currencies. He argues that the Canadian dollar is one of the few major currencies that remains severely undervalued relative to the U.S. currency.

"It's a myth that the Canadian dollar and the U.S. dollar move in tandem," says Mr. Rosenberg, "After they were at parity back in 1976, the Canadian dollar has been in a declining trend. And we

think that's been overdone."
Indeed, while the U.S. dollar contines to weaken, he says the Canadian dollar is on the verge of making some headway in 1987. He credits Canada's narrowing cur-rent account deficit as well as political pressure from Washington, which is seeking to reduce the U.S. trade deficit with Canada.

Mr. Rosenberg sees the U.S. currency possibly dropping to 1.32 Canadian dollars by the end of the year from its current level of about 1.37. "It's not keeping up with the Deutsche mark, but it's doing just fine for the Canadian dollar,"

Moreover, Mr. Rosenberg also likes the high yields available in Canadian instruments, which could work in favor of higher prices. As inflation in the United

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in December

Sept-19			LUSCHO		
	Percent Gain	Price Dec.31		Percent Loss	Pric Dec.3
New York Stock Ex					
Compiled by Media General			in dollars		
Ranco Inc.	60	36.75	International Tech.	36	16.0
Joy Manulacturing	36	34.75	ICN Pharmaceulicals	26.	
Owens-Coming Fibergi.		13.75	Tonka Corp	25	19.6
United Merchants	25	13.63	Culbro Corp	25 24	
Recognition Equipment	25	15.50	Borman s Inc.	24	38.5 17.6
Fabri-Centers America	·24 »	··· • • • • • • • • • • • • • • • • • •	:: Universal Matchbox	2. A23./	1.150
XTRA Corp	22	26.88	Farah Manufacturing	22	13.6
Armada Corp.	21	13.25	General Motors CI. E	21	13.b 24.8
Measurex Corp.	20	42.50	Munsingwear Inc	20	24.8 11.3
Ingredient Technology	20	23.50	Shaklee Corp .	19	17.7
American Stock Ex	change:				
NV Homes L.P.	48	19.25	Wherehouse Entmt.	30	14,1
Hal Inc.	34	21,75	Levitt Corp.	25	10.0
Clark Consolidated	32	12.00	Newmark & Lewis	21	11.7
Citizans 1st Bancorp	28	23.38	Pauley Petroleum	20	10.0
Big V Sprmrkts, Cl. A	24	14.00	Continental Material	19	20.2
Over the Counter:	•				
Accuray Corp.	140	45.50	Beauticontrol	33	10.7
Pac. Southwest Air	56	16.00	Sound Warehouse Inc.	33	13.6
Quipp Inc.	48	20.00	Southland Financial	. 32	13.5
Sigma Designs	39 36	17.75	Galileo Electro Opt.	. 30	25.0
Valtek Inc.	. 30	10.75	American Ecology	30	14.0
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Nippon Univac Hitachi Zosen

tries to narrow. The current could narrow to 100 basis points point yield spread between by the end of the year, he says. er Canadian government

Daicel Chemical

2.060 845 1.740 134

John Mechan

WIN \$ MILLIONS!

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That's right ... you can win millions by picking your own numbers playing Lotto 6/49—Canada's most popular Government Lottery. In fact, last year Lotto 6/49 paid out \$354,736,589.00 in ALL CASH PRIZES. And it's all free of Canadian taxes. There are two draws each week for a grand prize guaranteed to be not less than \$1,000,000.00 with many millions more in secondary prizes. Grand prizes often run into the millions and have been as high as \$13,890,588.80. Imagine what you could do with that much cash! This is your opportunity to find out because now you can play the lottery that's making so many millionaires in Canada.

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gives you another chance at the grand prize for avery draw in which you are anierad. You receive a "Confirmation of Entry" by return mail acknowledging your order and indicating tha numbers you have selected as wall as tha

draws in which they are antered.

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1 11 21 31 41 2 12 22 32 42

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1	\$13,890,588.80			
10	\$443,481.60			
715	\$3,794.70			
48,817	\$139.30			
965,112 \$10.0				
TOTAL PRIZE VALUE \$37,443,228.10				
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ist. 2nd. 3nd, and 4th prizes are calculated on a percentage of the fotal prize pool. Since the prize pool fluctuates from draw to draw, the size of the prizes will vary from the size of the

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2 Games	□ \$ 90.	□ \$225.	☐ \$ 450 .						
3 Games	□ \$135.	□ \$337.	□ \$ 675.·						
4 Games	□ \$180.	□ \$450.	□ \$ 900.						
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6 Games	□ \$270. -	□ \$675.	☐ \$1350.						
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Underwriters Avoid Risks In Dollar Market Turmoil

By CARL GEWIRTZ

ARIS — The continuing turnoil in foreign-exchange markets is having a quite beneficial — not to say surprising — effect on the dollar sector of the international bond market: New issues are being offered with terms designed to appeal to investors and make money for underwriters. This is a radical return to the past, as pricing issues so that they trade within the fees paid to underwriters went out of

fashion in the late 1970s.

The dollar's free-fall in the exchange markets has changed this. Investors are still willing to buy dollar securities, anticipating that U.S. interest rates will decline this year and bond prices will rise. But exchange market developments make them nervous and

Listed bearer

bonds should

enhance the

attraction of the

Belgian paper.

in no mood to buy bonds that immediately trade at discounts of 2 to 3 percent from the offering price.
At the same time, lead man-

agers are in no mood to launch mispriced issues. Experience has shown that managers' attempts to stabilize prices during the syndication period of-

ten result in their owning ten result in their owning most, if not all, of the issue, Such paper rarely trades well. Once an issue is labeled a dog, dealers and investors avoid it, fearing that the liquidity will always be impaired. In the past, managers were content to sit on such unsold paper

in the confident belief that declining interest rates would make it possible to unload at a profit. Now, even though the slow economic performance of the United States is expected to result in lower rates, underwriters prefer not to run too much of a risk. That reflects a fear that things could get out of control. For

example, a dollar that tumbles too far too fast could send U.S. inflation soaring and cause investors to lose all confidence. Under such a scenario, the Federal Reserve would have to drive interest rates up to attract the foreign money needed to finance the enormous federal budget deficit.

The new approach in the Eurobond market was best demonstrated last week by the issue Belgium launched, a \$200 million bond that within a few hours was increased to \$300 million.

BELGIUM wanted floating-rate money and the cheapest way to do this was through a swap. The floating-rate note market is still suffering from the sell-off in perpetual issues, making it impossible to consider issuing FRNs at below the London interbank offered rate. Belgium wanted and received a cost of funds in the area of 30 basis points, or 0.3 percent, below

Up to now, arranging such swaps has been a major profit center for the managers of bond issues. The manager typically would arrange the swap at a big profit for itself and then syndicate the fixed-coupon bond issue at terms that bear no relation to what the going rate is in the public market. The underpricing of the bond issue was needed to offset the private profit in pricing the swap, otherwise the deal couldn't be execut-

Of late, however, to protect their own reputation as well as that of the borrower, lead managers have had to repurchase huge amounts of the mispriced bond issues in efforts to stabilize sinking prices — an endeavor that ato into the profit made in

County NatWest Capital Markets, lead manager of the Belgian issue, has reversed this procedure. The swap, it is widely believed, was arranged at a loss, the bond was overpriced and the profit made on selling the bond should more than cover the cost of the

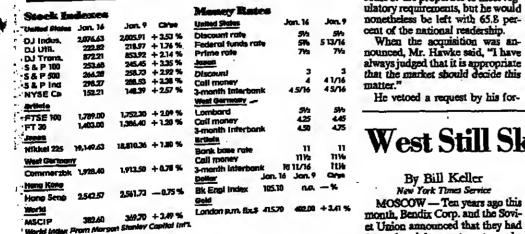
Competitors estimate that County lost more than \$2 million providing the swap. That may be more theoretical than real. The bank may have had a counterparty willing to pay the more than normal cost for arranging a swap, or the bank may have written the swap itself hoping to trade it at a profit later.

In any event, the terms on Belgium's 10-year bonds included a coupon of 8 percent, an offering price of 101½ and underwriting commissions of 2 percent - a total cost of funds of 85 basis points over the yield on comparably dated Treasury bonds. A year ago, admittedly in very different market conditions, Belgium paid 40 basis points over the yield on U.S. Treasury paper to raise money in the Eurodollar bond market.

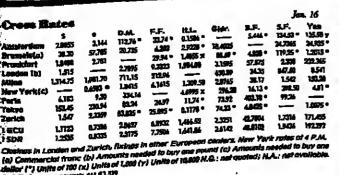
Also worth noting is that these are Belgium's first bearer bonds. Up to now its Eurodollar offerings have been in the form of unlisted registered securities to keep the tax-free paper out of the hands of Belgian tax evaders. The new issue, to be listed in Luxembourg, was sold in large denominations of \$100,000, reflecting the government's concern to discourage tax evaders from buying its paper. Listed bearer bonds, the standard feature of Eurobonds, should enhance the attraction of the paper, since

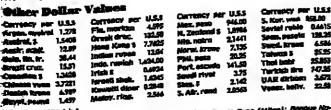
See EUROBONDS, Page 15

Last Week's Markets All figures are as of close of trading Friday



Currency Rates





Manila **Hardens Debt Line**

Seeks Lowest Interest Ever

MANILA — In a hardening stand on debt talks, the Philippines has demanded easier repayment terms than those ever offered any

Finance Minister Jaime Ongpin said Saturday that Manila would not resume talks on restructuring \$3.6 billion of its \$28 billion foreign debt until an offer "better than Mexico" was made.

Bankers consider the Mexican package the most lenient a major debtor nation has received from creditor banks: 20-year repayment with a 7-year grace period at interest of 13/16 percent over the London interbank offered rate.

Mr. Ongoin not only confirmed that the Philippines was seeking a rate of h percent over Libor, but he also said that rate "looks like it is not even good enough. That is why we originally entered the talks with

Furthermore, he said, referring to the time it took to arrive at the Mexican program: "We do not want to be waltzed around for 10 months like the Mexicans were."

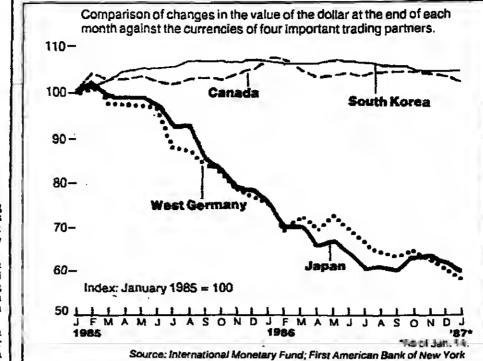
The debt talks collapsed in November after a bank, identified by sources as Citibank, refused to endorse an offer by the Philippines' 12-bank advisory committee of 1% percent over Libor.

Mr. Ongoin also said the Philippines was facing a cash shortage and would ask aid donors to endorse \$3.5 billion in development assistance, as well as funding for a land reform program that is expected to cost about \$500 million over the next two years.

Mr. Ongom, along with the central bank governor, José Fernan-dez, and Economie Planning Min-ister Solita Monsod, left Sunday for Paris for meetings of a consultative group of Manila's bilateral and multilateral creditors and of the 15 Western aid donors who make up

iane Perlez

New York Times Service



Europe's Confidence in U.S. Sags

"Mr. Murdoch is the most inter

"Both political parties here have

ventionist newspaper publisher in the world," Mr. McClelland said.

laid down and said to him: Do

what you like and more strength to

your arms, simply because they

The relationship between Mr. Murdoch and the Labor Party, at

both the federal and state levels.

For example, Mr. Murdoch was

granted the license to run the lucra-

tive New South Wales Lotto game

by the state Labor government. He

is a 50 percent partner in Ansett Airlines, the only privately held do-

mestic airline in the country, which

operates, along with the govern-ment-owned airline, in a highly reg-

ulated two-sirine system. Last month, when Mr. Hawke

wanted to case out his press secre-

tary, be called the managing direc-tor of News Ltd., according to an

undisputed report by Maximilian Walsh, a prominent political jour-

nalist, and asked that the press sec-

retary be found a job within the

seemed unperturbed by the expan-

sion of the Murdoch empire, others

were not so happy.
In particular, Mr. Murdoch's

U.S. citizenship, acquired in 1985

when he was seeking to acquire U.S. television stations, rankles.

Without access to the Soviet con-

While the political leadership

newspaper organization.

has been friendly for some time.

don't want to earn a media enemy.

Trade, Budget Gaps Combine With Fears About Fed

By John M. Berry
Washington Past Service
LONDON --- The European financial commumity is fast losing confidence in both the U.S. dollar and leadership within the Reagan administration. according to a number of financial analysts here Since the beginning of this month, and especial-ly last week, this loss of confidence has helped send

the dollar tumbling on foreign-exchange markets.

Two years ago, when the dollar was soaring. almost no one in Europe was willing to bet against it. Analysts acknowledged at the time that the growing U.S. trade deficit and a somewhat higher rate of inflation in the United States than in West Germany and Japan pointed to a decline in the dollar. But confidence in the economic management of President Ronald Reagan and the Federal Reserve chairman, Paul A. Volcker, was just too

Even after the dollar began to decline, that confidence produced a relatively smooth, steady fall rather than the precipitous drop that had been predicted by many currency experts. The sharpest decline came after the September 1985 meeting at New York's Plaza Hotel of the finance ministers and central bankers from the United States, West Germany, Japan, France and Britain.

The market's confidence has now been lost, buried by bad news. Among the most important developments, analysts say, have been:

Murdoch, Politicians Live and Let Live

eign minister. Bill Hayden, for a

public inquiry. Mr. Murdoch con-

Party, which also did not oppose

Mr. Fraser, a childhood friend of

Mr. Murdoch, said the politicians were "too scared" to criticize the

The newspapers already owned by Mr. Murdoch range from The

tures of skimpily clad women.

He also owns newspapers, maga-zines and television stations in Brit-

sin, Canada and the United States.

known for strident political en-

dorsements, which often spill over

into the news pages.

A former minister in the Whit-

lam Labor government, James

McClelland, said Saturday that the

nuclear accident last April.

almost all branches of production.

Soviet industry, despite high-level et Union will throw open its doors actly what the Soviets don't want."

promises of managenal indepento Western style ventures.

Without access to the Soviet con-

the signing of three preliminary while, you're going to have to be ple, and the right to take home joint venture agreements with U.S. offered the incredible plum of the profits in hard currency, Western-

companies, many Westerners re- Soviet market," said one Western ers say the appeal of joint ventures

main deeply skeptical that the Sovi- commercial officer. "And that's ex- in the Soviet Union will be limited.

Tass Says Output Rises 4%

MOSCOW - Industrial production showed improvement in most

sectors in 1986 but there is still room for improvement in the

economy, the official news agency Tass said Sunday.

Tass, publishing data released by the Central Statistics Board, said

the figures showed a 4.9 percent rise in industrial output last year,

National income, the value of total output, rose 4.1 percent compared with the previous year, standing at around 590 billion rubles (\$390.29 billion at the official exchange rate). The target was 3.9

But Tass said serious deficiencies remained and electricity produc-

It said that gas and coal passed their targets, but while oil outpot

Tass said: "The negative tendency for a slowing development of the

economy has been overcome." It said the figures had improved in

But it added: "In some areas of the economy, production has

"In order to make it worth your sumer market of 280 million peo-

remained slow, unrhythmical production has continued, serious deli-

ciencies remain in the range and quality of production and deliveries."

improved sharply, it was still below target. Agricultural output also

tion failed to meet planned targets, largely because of the Chernobyl

above the target of 4.3 percent and up from 3.9 percent in 1985.

The Aostralian papers are

SYDNEY - The transforma- ducted an editorial campaign

tion of Rupert Murdoch's Austra- against Mr. Hayden during a tussie

tional chain with two-thirds of the The former prime minister, Mal-

country's circulation has raised colm Fraser, denounced both the

concerns here about the concentra- Hawke government and the leaders

tion of so many newspapers in the of his own conservative Liberal control of one individual. Party, which also did not oppose

agreement that would give Mr. "Nobody in the world would say Murdoch a national chain has that one corporation owing 75

shown a surprisingly symbiotic re-lationship between the Labor gov-daily publications is good for Aus-

lationship between the Labor gov-daily publications is good for Auserment of Prime Minister Bob tralia or good for democracy," Mr.

Times Ltd., Australia's biggest Australian, considered to be his national flagship, to the Daily Mirror, a Sydney tabloid specializing in sensational crime stories and pio-

natter."

political parties were shortsighted

He vetoed a request by his forin going along with Mr. Murdoch.

But the \$1.6 billion takeover the Murdoch acquisition.

Hawke and the conservative pob- Fraser said.

The Labor Party declined to in-

terfere with the acquisition by Mr. Murdoch's News Corp. of the 142

newspapers, radio and television stations owned by Herald & Week-

ly Times Ltd., Australia's biggest

Weekly ended last week when busi-

nessman Robert Holmes à Court withdrew from the bidding Mr. Murdoch has agreed to sell

some of the properties to meet reg-ulatory requirements, but he would nonetheless be left with 65.8 per-

New York Times Service

formed a joint venture to make

spark plugs at a factory in the Sovi-

But after much talk about a oew

wave of Soviet-American ventures.

the agreement collapsed because of

impenetrable Soviet bureaucracy

and the Russians' reluctance to

part with any of the profits, recalls William M. Agee, former Bendix

nology, and we would not even be profitable middlemen," he said.

frequently by Western business-

men here as a cautionary tale, now

that the Soviet Union has begun a

whirlwind courtship of Western

partners aimed at creating the first

genuine joint ventures on Soviet

Despite the announcement of a

new Soviet law allowing foreigners to hold equity for the first time in

dence and tax breaks, and despite

They would learn all our tech-

The Bendix story is recounted

et Union

chief executive.

han newspaper holdings into a na- for the Labor Party leadership.

 The failure of the dollar's decline in 1985 and 1986 to make a dent in the U.S. trade deficit; the latest figure, for November, was a record, more than \$19.2 billion.

• The continued large U.S. budget deficit, one-fourth to one-third of which was financed last year by foreign purchases of government debt.

• The unexpected weakness of the Reagan presi-

dency after the disclosures about weapons sales to

A growing fear that Mr. Reagan will not reappoint Mr. Volcker, nor choose a strong, expe-tioned leader to replace him, when the Fed chairman's term expires in August.

• Evidence that the governments of West Germany and Japan remain unwilling to make economic policy changes that would support the dol-lar by stimulating domestic demand — and thus the market for U.S. exports — and reducing inter-est-rate differentials between their countries and the United States.

"I have a hornble feeling there is a considerable downside to the dollar," said Richard Reid, economist at Phillips & Drew, a large brokerage firm. Mr. Reid said he feared that Reagan administration officials, and their counterparts in West Germany and Japan, did not fully appreciate the dangers involved.

He and other analysts said they believed that the

See CONFIDENCE, Page 15

Rupert Murdoch

ed his Australian background and

then got American citizenship to

suit his own ends," said James Hall,

associate editor of The Bulletin, a

national magazine. "He then comes

Mr. Murdoch's ownership of two

elevision stations here is under

threat because, under Australian

law, a foreign citizen cannot con-

The Murdoch company has un-

dergone extensive restructuring that the federal court is examining

to see whether Mr. Murdoch has

been sufficiently isolated from con-

trol of the stations. A decision from

the federal court is expected this

Moreover, even corporate repre-

no satisfying answers to some cru-

What will a joint venture have to pay for Soviet fuel, raw materi-

als, and notoriously improductive

"We have legal questions, tax

questions. What about auditors?"

asked Stephene Mazurek, head of

the Moscow office for Monsanto

Co., which has signed a letter of

intent to jointly own and operate a

herbicide plant in the Soviet Re-

public of Kazakhstan. "I can give

you 10 pages of questions, 20 pages

A Western trade official with ex-

labor?

than their party orthodoxy?

back here to grab more."

trol television stations.

Fermenta Chief Resigns After Admitting Lie

STOCKHOLM - Sune Dahlberg managing director of trou-bled Swedish biotechnnlogy group Fermenta AB, has resigned after admitting lying about a discredited company document.

Early Saturday, Mr. Dahlberg said at a news conference that his signature on a Fermenta eight-month interim report, now discred-ited by auditors, had been forged. But after two wimesses sold Swedish newspapers they had seen him sign a blank piece of paper he knew was to be attached to the report, he withdrew the claim. He said in a statement to report-

ers that he had lied.
In December, auditors cut predicted earnings in the 1986 interim report from 700 million kronor (\$106.14 million) in 40 million. They said they could not guarantee the authenticity of many company

Last Thursday, the board of the Stockholm Stock Exchange ancounced that Fermenta would be delisted, effective Monday.

The bourse accused Fermenta of providing misleading information to the stock exchange and financial The bourse's chairman, Bengt Ryden, said the company's "unpar-alleled condoct" meant expulsion

was the only choice. Police prosecutors, the stock exchange and the bank inspection board are carrying out separate inquiries into the company after the

auditors' disclosures. Inquiries are also under way into the business affairs of the company's founder, Refaat el-Sayed, who resigned early in November. Mr. Sayed, a naturalized Swede

born in Egypt, conceded a 46 per-cent share in Fermenta to the investment firm Industrivarden AB, which took up the stake as security for loans Mr. Sayed failed to repay. Dagens Nyheter, Sweden's biggest newspaper, said Samrday that if Mr. Dahlberg had not resigned, the board would have dismissed

The new board, appointed last month to represent the new ownership, has promised to restore the company's credibility.

But industrial sources said the cootinuing scandals would be tions to extremely difficult probbound to affect trading of Fermencial market when it opens on Mon-

They said the unprecedented sepredict a price.

Trading of Fermenta shares was Pittsburgh. aspended eight times last year. During the year the share price fell from above 300 kronor to 105.

In Tentative $oldsymbol{A}$ greement New York Times Service PITTSBURGH - Negotiators for USX Corp. and the United Steelworkers of America have reached a tentative agreement that if approved by the union's mem-bers will end the longest work stoppage in the U.S. steel industry's

star bourse performer, with Mr. Sayed voted Swede of the Year and

one of the country's richest men.

But within weeks, an agreement

with automaker Volvo AB to form

a major biotechnology group came undone after Mr. Sayed admitted

he had lied about his academic

Later, a bid to sell his stake in

Newspapers and industrial

Fermenta to the Italian chemicals

sources say the Fermenta scandal is

the worst in the country's business

life since 1932, when the suicide of

an industrialist, Ivar Kreuger, pre-cipitated a stock exchange crash.

USX, Union

giant Montedison SpA collapsed,

The work stoppage, which the company called a strike and the union termed a lockout, entered its 171st day Sunday, with about 22,000 workers idled.

Few details of the tentative pact were available. It is likely to allow

both sides to declare victory in the dispute, which began Ang. 1, 1986. The tentative settlement was announced early Saturday by Sylvester Garrett, a longtime steel-industry arbitrator who was brought into the discussions last month. It followed several days of marathon

This certainly was as difficult a negotiation as any I have experienced in my involvement in collective bargaining since 1937," Mr. Garrett said. "The parties' top negotiators are entitled to full credit for hammening out practical solulems."

level ocgotiators, must be approved by the presidents of local unions before it can be presented to the nes of events made it impossible to membership for a mail vote. The presidents were to meet Sunday in The agreement came as 26 weeks

See STEEL, Page 17

Reagan's Deregulator To Quit as Head of FCC

By Reginald Stuart

WASHINGTON - Mark S. Fowler, who has championed deregulation of U.S. telecommunications industries for the Reagan adresignation as chairman of the Federal Communications Commission. "It seems like a natural break point," said Mr. Fowler, 45, who

has headed the commission since May 1981, longer than any of his Mr. Fowler, whose first term as

chairman expired last June, sub-mitted his letter of resignation to President Ronald Reagan on Friday. He was expected to be renominated by Mr. Reagan this month but faced an uphill battle in the Senate Commerce Committee.

West Still Skeptical on Joint Ventures With Soviet tations with Senate Republicans and Democrats over his deregulation policies. Lawmakers have criticized his program to restructure telephone rates, which introduced sentatives who are deeply involved in negotiations with Soviet officials on joint ventures say they have had His handling of mergers and ac-quisitions in the broadcast industry

Ar. Fowler also

cial questions:

• Will Western partners have authority to fire improductive Soviet workers and reward good ones, based on their work habits rather Will joint ventures really be, as the Russians have promised, completely independent of the rigid, centralized Soviet planning sys-

He pushed through policies that made it easier for broadcast properties to change hands, and he aggressively promoted competition in the telephone industry by dropping numerous restrictions. More reministration, has announced his cently he fought to promote competitioo against Intelsat, the consortium of governments that operates the world communication

> Despite the confrontations with lawmakers, Mr. Fowler said he felt he could have won reconfirmation in the Senate, where control has shifted from Republicans to Dem-

that he would leave when his term expired last June. He surprised agency colleagues and lawmakers when he said he would stay on for a while so he could promote several sion has been marked by confron- of the remaining major items on his

plans, since it would be several months before he left the agency. monthly access charges for residen- His letter said his resignation tial and small business customers. would be effective this spring "on

was sharply criticized as too le- not become involved in recomnient. And his attacks on FCC polimending a successor. Dennis Patcies aimed at promoting ownership rick, a commissioner who came to of broadcast properties by women the agency from the White House and other minorities drew strong staff, is considered a leading con-



BANQUE SUDAMERIS

U.S.\$30,000,000 Floating Rate Notes due 1987

For the six month period 15th January, 1987 to 15th July, 1987 the Notes will bear an interest rate of 67/6% per annum. Interest payable on 15th July, 1987.

Bankers Trust Company, London

perience in such partnerships said, Tve never been involved in a joint venture that wasn't a nightmare even when both partners shared the

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OF NE

t e ? Acraichte

Den Norske

es (Continued from first finance page)

an exchange.

many institutional investors can

only purchase securities listed on

While spreads vs. Treasury

yields in general have been rising, a margin of 85 basis points was con-sidered generous. The best evi-

dence of this was the fact that the

paper ended Friday trading at a discount of 1.15 points for a margin

of 76 basis points over the Treasury

Although there was much praise, in principle, for County NatWest's construction of the issue, there was

considerable displeasure expressed

in the market about the actual op-

eration — raising an issue that de-serves a thorough airing. For County NatWest to make

bank kept 60 percent of the issue for its own clients. This meant that

underwriting at the issue price and

it of Jero tous

New International Bond Issues

Instruct				_ (Compile	d by L	aurence	Desvilettes
Supersystems Supe	71:	ıer	Amount (millions)				Price	
CMO Eurofrust 18	ROATING	RATE NO	<u></u>				Week	
Spingylong U.S.A. \$25 1992 1				0017				
Spicial	Stangyong	U.S.A.						
Septom Salo 1997 8 1011/4 100.35 Nanocalidaba, Free 276, Denocalization Special			+2	1772	- 14	100	99.45	A 12
Septon Telegroph 8, \$150 1994 794 10096 100500 Nanocalcible, Free TRIA, Decominations \$100,000.		UPON						· ·
Special color Special colo		 -	\$300	1997	8	101%	100.35	5 Noncollable. Fees 2%, Denominations \$100,000.
Syeciden	felephone	egroph &	\$150	1994	71/2	100%		
Wijstificool 2010 1991 716 10114			\$200	1994	7%	101	99.25	Noncollable. Facs 196%.
Commert-Shorik			\$250	1992	7	101	99.50	Noncoliable, Fees 1875.
Department Finance	Acceptance		\$100	1991	7%	10114	_	
Egiscopeon University Divide 200 1997 6 100 99.25 Callable or 109% in 1994, Fees 140%.	Overseas F	nance	DM 400	1992	51/2	100	98.7 5	Noncollable. Fees not disclosed.
Bank	Dresdner Fi	nance	DM 500	1992	41/2	971/4	95.25	Noncollable, Fees 2%,
Symbol Bank		vestment	DW 300	1997	6	100	99.25	
Barik Mees & Hope	Benk	<u> </u>		1994	5%	100		Noncollable private placement, Fees 1966.
Chiese Centrale de Corphristics Corporation Corporat			£100	1999	10%	1001/4	99.00	Noncallable, Fees 2%.
Cooperations				1992	7%	100%	98.00	Noncollable, Fees 197%.
Dissensioned Government G	Coopération	n	ECU 73	1992	7%	101%	99.50 ·	Nancalable. Fees 13/36.
Control	Éurofina		ECU 150	1994	7% .	101%	99.88	Normichia Fran 1866
Asia CBC Mortgage C\$ 100 1992 9 100% 99.13 Noncollable, Fees 184%.	Governmen Developmen	t	ECU 75	1992	7%			
Europeon Investment Sont. Ford Credit Conoda C\$ 75 1992 9 101% 99.98 Nancollable, Fees 2%. Sestatchewan Province C\$ 150 1990 8½ 100½ 99.75 Nancollable, Fees 1%%. Sears Canada C\$ 100 1997 9½ 101½ 98.63 Nancollable, Fees 1%%. Winnipeg City C\$ 60 1992 9 101% 99.68 Nancollable, Fees 2%. Winnipeg City Aus\$ 100 1992 14½ 101½ 99.50 Nancollable, Fees 2%. Soprital Indestreat Australia Aus\$ 40 1990 14% 101½ 98.88 Nancollable, Fees 1%%. Nordalla Finance (Curacica) Toronto Dominion Bank Den Norske Creditbank Int 1 Postiparikti Y 5,000 1992 5½ 101½ 99.30 Nancollable, Fees 1%%. EQUITY-LINKED Esai Company \$ 100 1992 3½ 100 107.25 Nancollable, Each \$5,000 note with one warrord tearcicable left company's shares of 2,081 year per faller, Fees 2%. Toronto Dominion \$ 100 1992 3½ 100 99.00 Nancollable, Each \$5,000 note with one warrord tearcicable left company's shares of 2,081 year per share and of 157.65 year per challer, Fees 26%. Toronto Engineering \$ 50 1992 3¼ 100 99.00 Nancollable, Each \$5,000 note with one warrord tearcicable left company's shares of 2,081 year per share and of 157.65 year per challer, Fees 26%. Tostriba Engineering \$ 50 1992 3¼ 100 99.00 Nancollable, Each \$5,000 note with one warrord tearcicable left company's shares of 2,081 year per shares of a machine left in the share of a machine left in the shares of a machine left in the s		incince	ECU 100	1994	7%	101%	99.25	Noncollable. Fees 197%, Denominations 12,500 ecus.
Sestant-newan	CIBC Mortg	age ·	C\$ 100	1992	9	100%	99.13	Noncollable, Fees 19/K.
Sestantchewan		westment	C\$ 138	1996	9	101%	99.98	Nanczilable, Fees 2%.
Province Sears Canada C\$ 100 1997 914 1011/4 98.63 Nancaliable, Fees 7%.			C\$ 75	1992	9	101%	99_50	Noncoliable. Fees 1%%.
Winnipeg City Cs 60 1992 9 10136 99.68 Noncollable, Fees, 1866. British Petroleum Aus 100 1992 1416 10116 99.50 Noncollable, Fees 266. Capital Indosuez Australia Aus 40 1990 1476 10136 98.88 Noncollable, Fees 266. Nordill Finance (Curacao) Toranto Dominion Aus 40 1990 1476 10136 99.40 Noncollable, Fees 266. Toranto Dominion Aus 40 1990 1476 10136 99.40 Noncollable, Fees 1876. Den Norske Y 25,000 1992 536 10136 99.38 Noncollable, Fees 1876. Creditibank Int 1 Postipankki Y 5,000 1992 776 105 — Noncollable, Redeemable at maturity in U.5, delicus at fisad exchange rate of 173.00 yen per delicy, Fees 1866. EQUITY-LINKED Esoi Company \$100 1992 336 100 107.25 Noncollable, Each \$5,000 note with one warrant exerciscible fet company's shores of 2,276 yen per share and at 154.64 yen per delice, Fees 2866. Izumiya Company \$60 1992 316 100 99.00 Noncollable, Each \$5,000 note with one warrant exerciscible into company's shores of 2,276 yen per share and at 157.65 yen per delice, Fees 2866. Tostriba Engineering \$50 1992 open 100 100.00 Coupon indicated at 3876, Noncollable, Each \$5,000 note with an exerciscible into a warrant exerciscible into a warrant exerciscible into a warrant exerciscible into company's shares of a sepacted 2966 premium, Fees 2966, Terms to be set Jan. 19. Liulius Boer Bank & DM 150 1994 2 100 112.00 Each 1000 note done to the done warrant to be set Jan. 19. Liulius Boer Bank & DM 150 1994 2 100 104.50 Redeemable at 1367 in 1992 to yield 10.01%, Callable at 103 in 199	Province		<u> </u>			100%	99.75	Noncoliable. Fees 1%%.
Rritish Petroleum Capital Aus\$ 100 1992 141/6 1011/2 99.50 Noncollable, Fees 2%. Indosuez Australia Aus\$ 40 1990 147/6 1011/6 98.88 Noncollable, Fees 11/7%. Nordius Finance (Curacaa) Toranto Dominion Bank Den Norslae Y 25,000 1992 51/6 1011/2 99.10 Noncollable, Fees 11/7%. Den Norslae Creditbank Int 1 Postipankia Y 5,000 1992 51/6 1011/2 99.38 Noncollable, Fees 11/7%. Postipankia Y 5,000 1992 71/4 105 — Noncollable, Reclesenable at material into company in U.S. dollars at fixed company's shares of 1/2,00 year per dollar, Fees 11/7%. EQUITY-UNKED Esol Company \$ 100 1992 31/6 100 107.25 Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of 2,296 year per share and at 157.61 year per dollar, Fees 26/5%. Ezumiya Company \$ 60 1992 31/6 100 99.00 Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of 2,296 year per share and at 157.61 year per dollar, Fees 26/5%. Toshiba Engineering \$ 50 1992 open 100 100.00 Coupon indicated at 38/5%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of 2,001 year per dollar, Fees 26/5%. Toshiba Engineering \$ 50 1992 open 100 100.00 Coupon indicated at 38/5%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of a			C\$ 100				98.63	Noncoliable. Fees 2%.
Capital Indosuez Australia Aust 40 1990 14% 101% 98.88 Noncollable. Fees 11%. NordLB Finance (Curacas) Toranto Dominion Aust 40 1990 14% 101% 99.40 Noncollable. Fees 11%. Den Norslae Y 25,000 1992 5% 101% 99.38 Noncollable. Fees 11%. Den Norslae Y 25,000 1992 5% 101% 99.38 Noncollable. Fees 11%. Creditbank Int 1 Postipankki Y 5,000 1992 7% 105 — Noncollable. Reclesenable at maturity in U.S. dollars at fixed exchange rate of 173,00 year per dollar. Fees 11%. EQUITY-LINKED Esoi Company \$100 1992 3% 100 107.25 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 2,296 year per share and at 15%. Izumilya Company \$60 1992 31% 100 99.00 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares of 2,061 year per dollar. Fees 26%. Toshiba Engineering \$50 1992 open 100 100.00 Coupon indicated at 38%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares of 2,061 year per dollar. Fees 26%. Toshiba Engineering \$50 1992 open 100 100.00 Coupon indicated at 38%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares of a 2,061 year per dollar. Fees 26%. Toshiba Engineering \$50 1992 open 100 100.00 Coupon indicated at 38%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of a company's shares of a 2,061 year per dollar. Fees 26%. Toshiba Engineering \$50 1992 open 100 100.00 Redeemable of 38% Noncollable into company's shares of a company's shares of a 2,061 year per dollar. Fees 26%. Term to be set Jon. 19. Julius Boer Bank & DM 150 1994 2 100 100.00 Redeemable of 315 ponce a share, a 7% premium. Fees 26%.	-		<u> </u>	1992		101%		
Norcella Finance Aus\$ 50 1992 14¼ 101½ 99.40 Norcellable, Fees 2% (Curacoro)	Capital	11					99.50	Noncollable. Fees 2%.
Curracoco Toronto Dominion	-		Aus\$ 40				98.88	Noncollable, Fees 11/1%.
Bonk Den Norske Y 25,000 1992 51/6 1011/4 99.38 Noncollable. Fees 19/96. Creditbank Int'I Postipankki Y 5,000 1992 71/4 105 — Noncollable. Recleanable of maturity in U.S. dollars at fixed exchange rate of 173.00 yes per dollar. Fees 19/96. EQUITY-LINKED Esci Company \$100 1992 31/4 100 107.25 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 2,2% yes per share and at 154.4 yes per dollar. Fees 24/96. Izumiya Company \$60 1992 31/4 100 99.00 Noncollable. Each \$5,000 note with one warrant exercisable into adequory's shares at 2,081 yes per share and at 157.6 yes per dollar. Fees 24/96. Toshiba Engineering \$50 1992 open 100 100.00 Coupon included at 39/96. Noncollable, Each \$5,000 note with one warrant exercisable into adequory's shares at a company's shares at 2,081 yes per share and at 157.6 yes per dollar. Fees 24/96. Toshiba Engineering \$50 1992 open 100 100.00 Coupon included at 39/96. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at a sepaced 24/96 premium. Fees 24/96. Terms to be set Jos. 19. Julius Boer Bank & DM 150 1994 2 100 112.00 Each 10.000-mark note documentable into 9 bearer participation from certificates of Boer Holding AG. Fees 24/96. Burton Group £110 2001 43/4 100 104.50 Recleanable at 136/9 in 1992 to yield 10.01%. Collable at 102 in 1992. Convertible at 315 ponce a share, a 9% premium Fees 24/96.	(Curacao)							Noncollable. Fees 2%.
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Fixed exchange rate of 173.00 yen per clotter, Fees 1966. ESOI Company \$100 1992 3% 100 107.25 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 2,296 yen per share and at 154.49 yen per clotter. Fees 2696. Izumiya Company \$60 1992 3% 100 99.00 Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 2,001 yen per share and at 157.60 yen per clotter. Fees 2696. Toshiba Engineering \$50 1992 open 100 100.00 Company indicated at 390%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 2696 premium. Fees 2696. Terms to be set Jon. 19. Julius Boer Bank & DM 150 1994 2 ,100 ,112.00 Eoch 10,000 unterk note documentable into 9 bearer participation certificates of Boer Holding AG. Fees 2496. Burton Group £110 2001 4% 100 104.50 Redesmable at 136% in 1992 to yield 10.01%. Collable at 102 in 1992. Convertible at 315 period a share, a 9% premium. Fees 2996.	Creditbank						99.38	
Source Company \$100 1992 33/4 100 107-25 Nancoliable, Each \$5,000 note with one warrant exercisable lend company's shares at 2,2% yen per share and at 154.44 yen per clotter. Fees 24%.		M/E/N	Y 5,000	1992	71/4	105		Noncollable. Recleanable or motority in U.S. dollars at a fixed exchange rate of 173.00 year per dollar, Fees 1%%.
Izumiya Company \$ 60 1992 314 100 99.00 Noncollable. Each \$5,000 note with one warrant everasable into company's shares at 2,295 yen per share and at 157.61 yen per dollar. Fees 245%. Toshiba Engineering \$ 50 1992 open 100 100.00 Coupon indicated at 395%, Noncollable, Each \$5,000 note with one warrant everasable into company's shares at an expected 265% premium. Fees 265%. Terms to be set Jan. 19. Julius Boer Bank & DM 150 1994 2 100 112.00 Eoch 10,000 more knowntable into 9 bearer participation confidence of Boer Holding AG. Fees 245%. Burton Group £ 110 2001 434 100 104.50 Redeemable at 1361/s in 1992 to yield 10,01%, Collable at 102 in 1992. Convertible at 315 period a share, a 9% premium. Fees 255%.			\$100	1000	934	100	107.05	New Salla East Scion and with any
into company's shares at 2,081 yen per share and at 157.65 yen per dollar. Fees 282%. Toshiba Engineering \$50 1992 open 100 100.00 Coupon indicated at 386%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 286% premium. Fees 286%. Terms to be set Jon. 19. Julius Baer Bank & DM 150 1994 2 100 112.00 Each 10,000 mark note documentals into 9 bearer participation certificates of Baer Holding AG. Fees 286%. Burton Group £ 110 2001 434 100 104.50 Redeemable of 136½ in 1992 to yield 10,01% Collable at 102 in 1992. Convertible at 315 period a share, a 9% premium. Fees 295%.			*100			·····	107.23	into company's shares at 2,2% yen per share and at 154.4
8. Construction with one warrant evertisable into company's shares at an expected 25% premium. Fees 25%. Terms to be set Jan. 19. Julius Baer Bank & DM 150 1994 2 100 112.00 Each 10,000-mork note documentals into 9 bearer participations conflicted of Baer Holding AG. Fees 25%. Burton Group £ 110 2001 434 100 104.50 Redeemable or 136½ in 1992 to yield 10,01% Collable at 102 in 1992. Conventible at 315 pence a share, a 9% premium. Fees 29%.	Izumiya Con	npany	\$ 60	1992	3¼	100	99.00	Noncollable, Each \$5,000 note with one warrant exercisable into company's shares of 2,081 yes per share and at 157.60 yes per dollar. Fees 28%.
First Story Court Story			\$ 50	1992	open	100		Coupon indicated at 396%, Noncollable, Each \$5,000 note with one warrant eventsiable into company's shares at an expected 25% premium, Fees 266%. Terms to be set Jan. 19.
in 1992. Convertible at 315 pence a share, a 9% premiunt. Fees 299%.		iank&	DM 150	1994	2;	100	112.00	Each 10,000-mark note convertible into 9 bearer participa-
WARRANTS	Burton Groo	TP .	£110	2001	4%	100		in 1992. Convertible at 315 pence a share, a 9% premium.
	WARRANT	<u>s</u> -		•				

Bond Prices Up After Rise On Treasury **Futures Mart**

By H.J. Maidenberg
New York Times Service
NEW YORK — Prices of government bonds posted their best bond futures market.

of the bellwether long bond, the 7.5

U.S. CREDIT MARKETS

percent issue due in 2016, was up 17/32, at 102 3/32, to yield 7.33 percent, compared with 7.28 per-

Dealers said that, aside from the sudden surge in bond futures prices, there were no significant de-velopments to sway fixed-income debt either way. Neither the firm-ing of the dollar nor Federal Reserve reports showing increases in industrial output and operating capacity had any effect on trading.

The discount rate on Treasury bills weakened, with the 90-day bills off four basis points to 5.36 percent, the six-month bills off two basis points to 5.39 percent and the new one-year bill down two basis points to 5.42 percent points to 5.42 percent.

Before the bond futures rally, which occurred in the final halfhour before the Chicago market closed, prices had been slightly higher on the day. Dealers said most activity at the time consisted of squaring accounts before the three-day weekend

The cash government securities market is closed Monday for the Martin Luther King birthday holiday, and the Treasury's regular weekly auction of three- and sixmonth bills will be Tuesday.

"Because the Treasury cash bond market will he closed Monday, some traders seeking to hedge their short positions over the weekend did so in the futures market," said Frederick T. Leiner, senior financial futures analyst at Prudential-Bache Securities in Chicago.

"At the same time, futures traders who were short at the close hedged their positions as usual in the cash market, which is open

As a result, late dealings in the secondary market found the offerred price of the 64 percent notes due in 1988 up 2/32, at 100 6/32, for a yield of 6.14 percent. The Treasury plans to auction \$10.25 billion of new two-year

notes Wednesday. The notes trad-ed Friday on a when-issued basis at a price to yield 6.16 percent.

U.S. Consumer Rates

Tax Exempt Bonds Money Market Funds Donoghya's 7-Day Average Bank Rate Monitor Index Harris Mortgage, FHLB average 10.01 % rce : New York Times

By contrast, European investors

were big buyers of equity-linked

paper. Last week's hot issue was Julius Baer Bank & Trust's 150

million Deutsche mark, seven-year

bonds convertible into the bank's

stock at a premium of 7 percent (each 10,000 DM bond is convert-ible into nins bearer participation

certificates). The bonds ended the

week at a premium of 112 after hitting a high of 118.

The British clothing company

Burton Group set a record low cou-

pon, at 4% percent, on a record high amount of £110 million of bonds convertible into shares at a 9

request a premium cash redemp-tion after five years for an effective

yield of 10 percent if the stock failed to rise in price. The bonds

ing to accept.

the U.S. government to manage its economic and political problems. EUROBONDS: Underwriters Avoid Risk Amid Dollar Market Turmoil Among other steps, the United States mounted dollar-rescue packages that included sizable increases The question, then, is how much rowed funds and the higher return in interest rates. of a share of a new issue co-manag-ers should be entitled to. The an-tial capital gains to be made if U.S. tial capital gains to be made if U.S. interest rates continue to decline.

Seven or eight years ago, the chief economic problem in the United States, in the eyes of foreign Central banks were reported to investors and government officials, was an inability to control infla-tion. The chief worry now, the anabe big buyers of Sweden's five-year bonds, the maximum maturity that official institutions are usually willlysts say, is that the country is run-

> We still have great confidence in Volcker and Baker to hold things together. but we wonder what will happen when they disappear?

> > - A British banker

ning by far the largest trade deficit

percent premium. Investors were particularly attracted by the "put" option, giving them the right to in history.

A key question is whether investors in Europe and Japan, who last year put an estimated \$150 billion in U.S. government and private hoods and common steeks to say. bonds and common stocks, to say nothing of investment in real estate and factories, will continue to pour so much money into the United

trade bureancracy has imprece- ogy.

by seiling to markets outside the strade bureancracy has imprece- ogy.

by seiling to markets outside the strade of the banks. With the price of oil rising. too, he added.

"This might restrict somewhat ation of the dollar could raise dethe number of Western firms striv- mands for new barriers for ing to participate in the creation of American-made products, whose prices are going down as the dollar falls. That could further sour relationships between the European Community and make economic

EDF Renegotiation May Show Market's Direction

By Carl Gewirtz international Herald Tribune

PARIS — With banking supervi-sors getting tougher on banks' off-balance-sheet lending commitments and banks themselves wary about increasing such business, Electricité de France decided last week to renegotiate the terms on an existing backup facility rather than try to arrange a new \$1 billion line of credit

The French utility established advance of the week Friday after a the original 10-year revolving credstrong closing rally in the Treasury it in 1984, paying an annual facility 16 percent of the credit, on which it smaller loans recently marketed. was paying 15 basis points over the London interbank offered rate.

In today's market, these terms French government-owned compa-er, EDF's total cost will come much ber of smaller banks will use the nies late last year were paying facil-closer to what new loans cost as the opportunity to drop out of the syn-

PARIS - The World Bank, re-

garded as one of the biggest partici-pants in the international swap market, expects to curtail its activi-

ty, according to the bank's treasur-er, Engene H. Rotberg, Currency swaps have slowed, he

The current volatility in ex-

bank's assessment on whether there

rates or moving from high-cost to

more vulnerable economically and

that foreign-exchange markets

were reflecting this. Sooner or later, they said, the United States will

have to take strong action to de-

fend its currency. Measures could

include raising interest rates or tax-

es sharply enough to threaten the

The danger is not just for the United States. A recession there

would reduce demand for goods

from Europe, Japan and other countries, including many debt-laden Third World nations. Those

countries might then slip into re-

cession, too. A worldwide recession

would put serious strains on finan-

the late 1970s, when there also was a significant lack of confidence in

the currency and in the ability of

had to defend the dollar was during said.

cial institutions.

The last time of

ar economic expansion.

make much sense."

obligation ever to draw the loan. . However, the amounts of those credits were much smaller and

INTERNATIONAL CREDIT

most bankers doubt that a jumbo loan could succeed in today's market and certainly not with pricing regarded as aggressive.

Thus, rather than risk running into banks' resistance to a \$1 billion commitment, EDF is asking banks to accept terms that are three-quarters and 10 basis points chemical group, Kemira Oy, aptighter than it paid up to now but a for more than that. The fees on the pointed Kansallis-Osake-Pankki, ond futures market.

fee of 0.1 percent, or 10 basis banks to accept terms that are In late trading, the offered price points. In addition, EDF was retighter than it paid up to now but a quired always to have in use at least touch more generous than the existing loan ranged from 15 to 35

The maturity will be unchanged, leaving seven and a half years to response as this will give a clear cy units. The annual facility fee will be indication of where the market is British ton Cor. look outrageously generous. halved to five basis points. Howev- heading, it is assumed that a numer, EDF's total cost will come much ber of smaller banks will use the

World Bank Plans to Curtail Swaps

of its fiscal year ended in December

had reduced its dollar borrowings

million, in Deutsche marks by \$287

million, in yen by \$248 million and

However, if the dollar remains

of borrowing so as to be able to rency that is appreciating could In all, cash and liquid invest-charge the lowest possible rate on more than wipe out the advantage ments amounted to \$20 billion at its own loans to developing coun- of having paid a lower rate of inter-

pendent on foreign capital to cover its international deficits, "you

What it took four

years to put wrong

years to put right.'

Former Bank of England

don't have to have all the Japanese

investors leave, just those at the

John Sangster, a former senio

official at the Bank of England who

bandled the bank's foreign ex-

change matters, expects the indus-

trial nations to "muddle through," but he expects great strains while

"I am sure the market will under-

shout on the dollar," he said. What it took four years to put

wrong will take four years to put

right ... In the meantime, we will

have an excuse for protectionism

European Monetary System, most-ly a small upward revision in the

value of the mark, were not enough

to stop the flow of money out of the

dollar and into the mark. Mr. Sang

ster said he believed there was a

"substantial risk" of a sharp drop

in the dollar, "particularly given the way the market has behaved in

the last few days."
Moreover, he believes "the dollar

still will fall until action is taken on

the U.S. fiscal deficit. Where we

have had devaluations to be suc-cessful" in reducing trade and oth-er international deficits, "they had

to be accompanied by strict and

sometimes overstrict fiscal poli-

Fed officials, however, worry

that a such policy would lead to recession. Mr. Volcker has been

outspoken in urging Bonn and To-kyo to stimulate their economies as

Japanese are responsive to our arguments," a Fed official said. "But they are running a very risky game.

They are not very aggressive in a

policy sense. They are remarkably

content with the way things are

Mr. Reid, of Phillips & Drew,

said such an urge could arise if the

and they have no big urge to grow

"Intellectually, the Germans and

an alternative.

The changes a week ago in the

and cause even more troubles."

they do so.

- John Sangster,

will take four

As a result, it was able to reduce

by \$568 million.

Currency swaps have skowen, as said in an interview, "because interest rate differentials have narranged through swaps its debt denominated in Swiss francs by \$664

is any advantage to arranging a the cost on the \$4.64 billion of

swap, he said.

The bank's swap activity, conwerting fixed-rate debt into floating

money it borcowed during the first
half from an average 6.6 percent to
5.77 percent.

low-cost currency, is aimed at weak against these currencies, the achieving the lowest possible cost cost of servicing the debt in a cur-

tries. The rate is currently 7.92 per- est than that charged on dollar

change rates further clouds the in guilders by \$76 million.

ments, makes loans of more than this money had yet been disbursed,

\$16 billion a year to poorer coun- so its borrowers, whose loans are

money it borrowed during the first from the swap activity. Its liquid

the bank.

The bank last week reported that cies matching the bank's own exposwap activity in the first six months sure, are not suffering from the of its fiscal year ended in December latest upheavals in the foreign-ex-

change market.

ity fees of 4 basis points for seven- front-end commissions to renegotiyear commitments with no ate the loan are about half what it about 70 banks. But it is also aswould have to pay for a new loan.

عملاً من الأمل

Paying an annual fee of five basis million to its total interest charge, but the lower one-time fees of 3½ basis points instead of around 7 basis points represent a saving of about \$3 million.

Utilization fees will crumble to 21/2 basis points over Libor for drawing up to one-third of the amount, 5 basis points for up to \$100 million of short-term paper. half, 7½ basis points for up to three-quarters and 10 basis points basis points over Libor.

Had that money been disbursed, Mr. Rotberg acknowledged, clients

would be worse off in having to pay higher debt-servicing charges than if the bank had kept the bulk of its

own borrowing and lending in U.S.

assets in currencies other than the dollar total the equivalent of about

\$6 billion, an amount that far ex-

ceeds the total swaps arranged by

bank was carning an average 8.44

pected this year. Moreover, an ap-preciating mark has forced West

German exporters to accept steadi-

ly smaller profit margins as they resist raising prices to hold onto their market shares in other coun-

tries. Soon, Mr. Reid said, they will

have to raise prices and begin to

lose sales, just when the domestic market is also weakening.

But there is nothing the Germans

can do alone, or in combination

with the Japanese, that will restore confidence in the dollar. Analysts

in Europe see the Reagan presiden-cy weakened for the rest of his

term. Even if the U.S. trade deficit

begins to fall, as most forecasters

As for the World Bank itself, Mr. Rothern said that it is not suffering

sumed that the Japanese banks, which anderwrote only 20 percent points rather than four adds \$6 of the original facility, will be pre-

pared to increase their stake. Tapping the Eurocommercial paper market without seeking specific new commitments for backup credit lines is ASEA Capital, the financing arm of Swedish manufacturer ASEA AB. It has appointed Enskilda Securities to market up to

Finland's government-owned Morgan Stanley and Citicorp to market up to \$100 million of CP or Bankers are eagerly awaiting the the equivalent in European curren-

> British Printing & Communica-tion Corp. named Hill Samuel to market up to £100 million of CP. In the syndicated loan market Northeast Savings of the United States is seeking to raise \$100 mil-lion through a five-year collateralized credit. The loan will be backed by federal mortgage certificates and other mortgage-related assets, giving the debt a triple-A rating. Lenders will be paid a margin of % point over Libor, a commitment fee of 15 basis points on any un-

drawn amounts and front-end fees ranging up to 25 basis points.

Treasury Bonds

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Maturity	e id	Ask	Yield	yleid			
31.12.88 15.11.89 31.12.90 15.9.92 15.1.94 15.10.96 15.2.06 15.11.16	100 to 22 100 2732 100 22+32 101 18/32 118 10-32	100 4 E 100 F. E 100 F. E 100 25/E 101 25 E 110 44 E 102 4/E	6.20 6.33 6.52 6.60 6.86 7.02 7.54 7.33	6.15 6.30 6.49 6.58 6.85 7.00 7.48 7.28			
Source: Solomon Inc.							

SELECTED U.S.A./A.T.C. QUOTATIONS

tries. The rate is currently 7.92 per-est than that charged on dollar bank was carning an average 8.44 cent. The bank, owned by 151 govern- Mr. Rotberg said very little of — CARL GEWIRTZ.	Bitter Corp. Chiron	3¼ 25¼	
	GoodMark Foods MAG Holdings NAV-AIR Spectrodyne	13% 5 1% 17%	5% 1% 18%
(Continued from first finance page) lar-denominated assets, he said. West German economy weakened United States was growing steadily And with the United States so de- as much as some forecasters ex-	429 MUH CON		

CONTINENTAL AMERICAN These are indicative priors as of Jan. 15, 1960

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SOVIET: Despite Overtures, Western Companies Skeptical on Joint Ventures

(Continued from first finance page) same business culture. Here, you're talking about a collision of ideolo-

On the Soviet side, however, the enthusiasm seems real enough. According to Westerners, hundreds of American, European and Japanese companies have been invited to submit proposals. Joint ventures have been touted in the official press and at international trade meetings as a way of raising the quality of Soviet products to "world quality" increasing exports to "soviet outleast nave accessing a fertilizer venture. as a way of increasing exports to three generate by selling outside the sake of everyone's minds is protectionism," be said. A further devaluation of the said of the said. A further devaluation of the said of the s "world quality," increasing exports and upgrading industrial technol-

According to a senior Soviet trade official, Yuri A. Kislenko, the Soviet Union will offer partners in these ventures several years of taxfree operations, independence from the centrally planned economy, and freedom to experiment

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11:40

echniques as incentive pay scales. high-level government committee and will test the waters for large-that is working out the terms of that is working out the terms of viet officials say they are especially joint ventures, concedes that many joint ventures, con

the total commission as a praeci-

Competitors argue that County

was greedy in keeping so much of

the issue, and thereby the commis-

sions, for itself, leaving ridiculously

small amounts for the two co-lead

managers and the 26 co-managers.

The co-managers reportedly were offered \$3.25 million each.
Credit Suisse First Boston found

this "monopolization" by the lead

manager unacceptable and with-

drew from the underwriting group.
Other banks, which did not withdraw, complained loudly, albeit in
the usual fashion, requesting ano-

The fact of the matter is that in

nager always comes out better

swap-related transactions, the lead

than others. If the profit (hidden

Surely it makes sense for under-

nymity.

enough money from marketing the swap, the swap provider gets to lion loss on providing the swap, the bank kept 60 percent of the issue

for its own clients. This meant that gives co-managers, and ultimately if County was able to sell all of its investors, some share in the benefit.

retain all of the 2 percent fees, it would have earned \$3.6 million. If it sold all of its underwriting at the

closing discount of 1.15 points, the er than equally dividing the losses bank would have earned about \$1.8 on issues that are consistently untillion (having kept 0.15 percent of

to team up with Soviet partners to repatriate profits. extract oil from already tapped oil

ing Machine Co., has signed up to generate hard currency. This gives produce home and industrial sewing machines at a factory in Orsha, "What markets can the Soviet ing machines at a factory in Orsha, mand for the machines is likely to double, officials say, under a forth-coming law permitting individuals

home sewing. Western and Soviet officials say

But he insists that under the Soviet paper, food processing, and almost leader, Mikhail S. Gorbachev, the anything involving high technology.

company that the venture will have to generate its own hard currency by selling to markets outside the

swer would seem to lie somewhere

between the 40 percent Morgan Guaranty took (without a murmur

from the market) as lead manager of the successful \$250-million

(non-swapped) five-year note for

Sweden and the 60 percent County

The market will get another

chance to debate this question this week, when Austria is scheduled to

market \$200 million of 10-year

Some critics contended that the

late Friday discount of 1.15 points on the Belgian paper was artificial-ly low because underwriters, un-aware of the small allotments, had

sold more bonds than they were

given. This forced them to buy pa-

per — bidding up the price — to satisfy the commitments they had

Most of those commitments ap-

pear to have been to Japanese investors. Banks, tracing companies

and industrial firms are believed to

be massive borrowers of dollars

and using the funds to buy dollar bonds. Profits are carned on the

percentage-point difference be-

tween the lower cost of the bor- ended the week at 1041/2.

took on the Belgian issue.

mental contracts with Western viet news service Tass said last ready the market leader.

Tuesday had taken effect on Jan. 1, SSMC's fears appeared to be Two U.S. companies in addition foreigners can own up to 49 percent to Monsanto have signed letters of intent to enter joint ventures.

of the means of production, share tional details of the new joint ventures sury secretary, James A. Baker 3d, ture rules were published in the "to hold things together," he said. Occidental Petroleum has agreed Soviet work force and be entitled to Soviet press. One rule provides that

Soviet officials have increasingly

in the Republic of Byelorussia. De- Union deliver that Western compato set up small enterprises like et market, and it's not at all clear that will be open."

According to Western business sources who declined to be named, we start and soviet officials say

these three agreements, and per
throughest as incentive pay scales.

Mr. Kisienko, who represents haps a few more, will be negotiated haps a few more, will be negotiated for detail over the next six months. Mr. Kisienko, who represents in detail over the next six months, sell its Soviet-American sewing mathe Ministry of Foreign Trade on a

the hard currency profits of West- when they disappear?" ern partners cannot exceed the An American colleague at his

a joint enterprise on the territory of the U.S.S.R.," Tass conceded. Said one Western diplomat,

"The people who are pushing this within the government have sold it policy coordination even more difas a vehicle to address the decline licult. in hard currency. To the extent that's what it is based on, it's going to fail."

Despite their misgivings, West-

States.
"The trend at the moment is to go in for Deutsche marks, guilders and yen," said a senior official at one of London's larger merchant

SSMC's fears appeared to be "We still have great confidence confirmed last Tuesday when addiin Paul Volcker" and the U.S. Trea-"to hold things together," he said.
"But we wonder what will happen

The American banker said that particularly among Japanese investors the recognition of the possibility of a sudden collapse of the dollar

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
SENIOR FINANCIAL ANALYST	Competitive	Abu Dhabi National Oil Co.
SENIOR ACCOUNTANT	Competitive	Abu Dhabi National Oil Co.
MATERIAL CONSULTANT/ ADVISOR	Competitive	Abu Dhabi National Oil Co.
CHIEF EXECUTIVE OFFICER		Int'l Multi-Million \$ Direct Marketing Company.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric. please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neutilly Codex, France. Telt (1) 46.37.93.81. Teles: 613595

NASDAO National Market 930 1114 205 894 268 794 288 514 84 20 231 1995 1014 Mutual Grow HI YId Intiffed Mun 8 Opto Sumitis Techs Tot Refer Sylvers 14.78 9.25 11.13 11.78 19.83 9.97 10.43 5.42 12.49 14.71 10.06 14.73 14.73 19.35 21.74 44.13 27.20 15.70 15.74 15.74 12.08 16.49 14.50 2.04 13.32 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | 1.29 | HINDUS HI COR BIT 1778 NL. COR BIT 1778 | Control | Cont Securities could have been said inet Asset Valued or bought Ivalue Ivalue or bought Ivalue Ivalue

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U.S., EC Meet in Geneva, **Preparing for Trade Talks**

WASHINGTON - U.S. and European Community negotiators are meeting in Geneva to discuss ways of settling a bitter dispute over \$400 million worth of lost U.S. com and sorghum sales to Spain. The Geneva talks are aimed at paving the way for a crucial meeting in Washington on Friday and Saturday, when senior ministers will try to resolve the dispute before punitive trade reprisals begin at the end of January.

each year to compensate the United States for the access to Spanish grain markets that it lost when Spain joined the EC on Jan. 1, 1986. In December, the EC offered to import 1.6 million metric tons (1.76 short tons). The United States had demanded that it take 4 million metric tons. Washington then announced retaliatory tariffs to take

The U.S. trade representative, Clayton K. Yeutter, Agriculture Secretary Richard E. Lyng and the EC's external trade commissioner, Willy de Clercq, and agriculture commissioner Frans Andriessen will attend the Washington meeting.

In Geneva, representatives from both sides hoped to discuss the

text of a draft agreement that could form a basis for bargaming, an EC official said. EC representatives would also discuss whether to include industrial products in the negotiations, which so far have been limited to agricultural products, he said.

The talks on the EC-U.S. dispute are likely to overshadow the original reason for the Geneva meeting, which was to discuss how to start a new round of global negotiations on agricultural trade. Representatives of 10 major agricultural producers and consumers, the so-called Morges group named after the Swiss village where diplomats have met in the past, are to meet Monday to discuss ways of

resuming the talks. Efforts to set an agenda for talks under the General Agreement on Tariffs and Trade broke down in December because the United States and EC could not agree how to proceed.

It was not disclosed how long the

The tentative agreement was also reported to include some restric-

tions on hiring outside contractors to do mill work, traditionally done

by union workers, the sources said.

Sources said the tentative settle-

though the amount was not known.

cut so that younger laid-off em-

cause he had arbitrated labor dis-

contract would run.

STEEL: Union, USX Reach Pact

International Bond Prices

7.78 7.77 8.15 7.15 8.16 7.41 8.15 9.15 8.10 8.53 8.00 0.00 8.17 7.40 8.18 8.25 7.50 7.30 8.27 7.40 8.27 7.40 7.40 8.25 7.41 7.56

(Continued from first finance page) of unemployment benefits being paid to 90 percent of the idled workers were about to expire. It could give USX time to capture a share of steel orders in the second quarter, traditionally the industry's

busiest three months. The union has charged that "con-tracting out" has enabled USX to ame less than two weeks before cut costs while eliminating union came less than two weeks before directors of USX, formerly United States Steel Corp., were expected to review proposals for restructuring the company. They are scheduled to meet Jan. 27. The restructuring may involve overhauling USX's USS steel division.

Although final details were withheld, sources close to the negotia- ployees can be recalled. tions said the proposed contract included wage and benefit reductions and provisions for restoring the concessions by the time the new contract expires. The union had putes since the 1950s between the earlier refused the company's de- union and United States Steel mand for such concessions.

(Continued)

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3-month 61/16 47/16 11% 996 8

Source: Moreon Guaranty, Lloyds Bonk

Jun. 16 6-marth 63/16 47/16 11 59h 711/16

His sudden appointment sur prised a number of officials in Brussels. "It caught us completely off guard," said a diplomat in the U.S. mission to the EC. "We had no idea it was coming.

Sources in Washington and Brussels said the change in the key diplomatic post did not herald a policy shift by the Reagan administration. Rather, they indicated that

dorf was U.S. ambassador to the Organization of American States. Officials in Brussels said Mr. Mid-

ment included job reductions, al-Pensions will reportedly be offered to two older workers for each job

Mr. Garrett, 75, was chosen in mid-December as a mediator between the EC and Washi licy, but be participates in all high-level Brussels meetings and has dai-ly contact with top EC officials.

cy, announced Jan. 9 that a special meeting of community foreign the Middle East. Mr. Tindemans said no date had

EUROPEAN COMMUNITY

U.S. to Replace Envoy With White House Aide

By Perer Maass

onal Herold Tribune BRUSSELS - In an unexpected reshuffling, the White House plans to replace its top envoy to the Euro-

pean Community.
U.S. officials say William J. Middendorf 2d, U.S. ambassador to the EC, is returning home after 18 months on the job. He will be succeeded by Alfred H. Kingon, who has worked in the White House since 1985 as a presidential aide and secretary of the cabinet.

Mr. Kingon, 55, was an assistant secretary of commerce for international economic policy in 1983 and 1984, then assistant secretary of the Treasury for policy, planning and communication.

Washington was oot pleased with Mr. Middendorf's performance. Before being named to the Brussels post in July 1985, Mr. Midden-

dendorf, 62, had not yet decided on his oext job.

The diplomats confirmed that

Washington asked the EC last month for preliminary approval of Mr. Kingon as the oew envoy. The EC's green light is expected to come in a few weeks, after which Mr. Kingon is to be formally cominated by the White House.

He then faces confirmation hearings before the Senate Foreign Relations Committee, followed by a full vote of the Senate. It might be several months before he arrives in

The U.S. ambassador to the EC has a staff in Brussels of 35 diplomats, who follow community affairs and serve as a key link beambassador does not set U.S. po-

Tindemans Cantious On Mideast Peace Bid

A wary EC is considering an attempt to help restart the stalled Middle East peace process. Belgium's foreign minister, Leo

Tindemans, whose government just started its six-month EC presiden-

phunge head-first into the Middle East quagmire. However, he said the current "lack of concrete [peace] proposals creates a situa-

tion that is not without dangers." "Europe must now seriously analyze the situation - what can, or what should, Europe do?" he said. In particular, he said, the EC must consider whether the Iran arms-sale affair in the United States has damaged Washington's credibility and influence with Arab

open to visiting the Middle East on behalf of the community. "I am skeptical of fact-finding missions," he said, "but if visits can belp nourish something, I will do it. won't hesitate."

countries. And he left the door

The cautious language of Mr. Tindemans, a former Belgian prime minister, seemed to reflect the slim chances for success of such an iniuative. He also appeared to be try-ing to counter concern that Bel-gium, seeking a triumph during its EC presidency, would rashly ven-ture into the Middle East without proper preparation.

Delors Visits Capitals

With Budget Proposal Jacques Delors has begun his quest for a long-term accord to save

the community from bankruptcy.
The EC Commission president left Jan. 10 for Rome, the first stop of a tour of the 12 community capi-tals for special budget talks with government leaders. The last stop is to be Bonn, on Feb. 13.

Mr. Delors is presenting the leaders with the commission's long-awaited plan for overhauling community finances. At last count, the EC was headed this year for a deficit of at least 2.5 billion European currency units (\$2.2 billion).

The commission's proposal contains three main elements, sources said. It reportedly calls for replacing the community's VAT-financed payments system with one based on a country's gross national prod-

Second, payment of farm subsi-dies would apparently be altered to provide for separate budgets for each agricultural product sector, such as cereals and milk. The burden of paying for overspending in one sector would oot fall on other sectors.

Third, the commission is said to be urging a change of the EC's structural funds, which are aimed at funneling development aid to the poorer member states, mainly those in the sooth.

Mr. Delors held talks last week with the Italian, Belgian, Portuguese and Spanish leaders. This week he is to meet with the government heads of Luxembourg and been set, and he cautioned against France. His proposals will be for-speculation that the EC would mally unveiled after his tour ends.

Wall Street Review

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(Continued from Back Page) **ESCORTS & GUIDES**

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D New York Times, edited by Eugene Maleska

SPORTS BRIEFS

Three Indoor World Track Records Are Set

LOS ANGELES (Combined Dispatches) - Greg Foster set a world record in the 60-meter hurdles an international track meet here Friday night. Meanwhile, in Simmerath, West Germany, Carlo Thraenhardt set an indoor high-jump best of 7 feet, 101/2 inches (2.40 meters), and in Indianapolis Ken Lowery lowered the 500meter standard to 1:00.17.

Foster, running through what appeared to be a false start, finished with a time of in Pfronten, West Germany, Cath-7.36 seconds to better the mark of 7.47, set by Mark McCoy last year. Thraenhardt's rine Quittet of France posted her jump broke the record of 7-10, established by West German compatriot Dietmar Mogenburg last Feb. 24, and Lowery's clocking bettered the mark of 1:00.86 set by Clarence Daniel in 1986. Clarence Daniel in 1986.

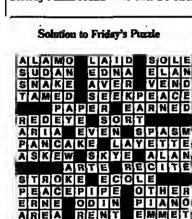
Langer Coasts to 1-Shot Lead in Hope Golf

LA QUINTA, California (AP) - West German Bernhard Langer coasted to a 2under-par 70 Saturday for a one-stroke lead over Mark Calcavecchia after four ounds of the Bob Hope Classic golf tournament.

Langer sandwiched birdies on the first and 18th holes around 16 consecutive pars at Bermuda Dunes, giving him a 72-hole total of 272, 16 shots under par, after one round on each of four desert courses.

Calcavecchia, also at Bermuda Dumes, finished 66/273. Corey Pavin (a 66 at Indian Hills) and Jeff Sluman (a 67 at Tamarisk) were at 274; it was another two strokes back to David Edwards and Willie Wood, Second-round leader Andy Bean had a 72 at Bermuda Dunes and was at 278.

On Friday, Langer had shot a 68 at the testing PGA West course — the site of Sunday's final round — to take a 3-stroke lead after 54 holes.



Espinoza Wins Title PHOENIX, Arizona (UPI) - Louie Espinoza won the vacant World Boxing Association junior featherweight

title Friday night with a fourth-round technical knockout of Tommy Valoy of the Dominican Republic. Espinoza knocked Valoy down early in the fourth and then pinned him to the ropes with a flurry of punches. Referee Enzo Montero of Venezuela stepped in

to end the bout 1:52 into the round. Espinoza, 24, was the WBA's top contender; he signed to fight Valoy after former champion Victor Callejas twice backed out of scheduled bouts against Espinoza. The WBA stripped

SPORTS

Wasmeier and Quittet Ski to Surprising Victories Wasmeier, who is to defend his 1985 giant slalom gold medal at the World Championships that begin The was the second straight day the and Diana Haight in 10th, Mateja

Compiled by Our Staff From Dispatches WENGEN, Switzerland - Giant slalom champion Markus Wasmeier of West Germany upset the favored

WORLD CUP SKIING

Swiss on Saturday by winning his first World Cup downhill race, and



Catherine Quittet, skiing to ond in 1:17.92, with teammate her first World Cup victory.

World Championships that begin Jan 25 in Crans-Montana, Switzerand, clocked 2 minutes 29.62 seconds on the smooth, 2.5-mile (4kilometer) Lauberhorn run, which dropped 3,371 feet (1,027 meters) into a postcard-perfect valley in the Eiger glacier area of central Switzerland.

Karl Alpiger of Switzerland fin-ished second, in 2:30.71, with teammate Franz Heinzer third in 2:31.17. Swiss ace Pirmin Zurbriggen, a prerace favorite, was a disappointing ninth, timed in 2:31.55.

"Nothing went right for me from the beginning today," Zurbriggen said. "But Markus is a super skier and he earned his win."

Despite his poor showing, Zur-briggen atop both the cup overall and downhill standings. Wasmeier advanced from fifth to

second place in the downhill standings. Zurbriggen has 95 points, Wasmeier 83 and Heinzer 82. Wasmeier remained in second place in the overall standings, with 157 points to Zurbriggen's 172.

The West German clocked an average speed of 60 mph (97 kph), ing time on his opponer the slower middle stretch of the

"I flew incredibly far on the jumps," he said. "I was going in-credibly fast today."

It was Wasmeier's third victory this season, and his sixth in World

In Pfronten, Quittet, 22, clocked 1:17.40 through the difficult Brei-tenberg course, which dropped 430 meters through 37 gates. Trandl Hacher of West Germany was secFriday's downhill at Pfronten.

Although the cop circuit has been dominated by the Swiss for much of the season, the best they could manage Saturday was Vrem Schneider's sixth-place limish of 1:18.67. Maria Walliser of Switzerland, the leader of the women's overall standings, struggled to a ninth-place finish, ber

Svet of Yugoslavia was fourth, with Michaela Marzola of Italy fifth. Hächer's second place was her

To the Late Kin

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best finish since she injured a knee near the end of last season. "I knew that if I could only make . il through the first few gates that I had a chance," she said.

Quittet moved to eighth in the overall standings with 105 points. She and Walliser shared the top spot worst une season.

Three Canadians finished among the top 10: Liisa Savijarvi in sev-

Swiss Win Both Slaloms

BISCHOFSWIESEN, West Germany - Maria Walliser skied to a convincing victory Sunday in a women's World Cup giant slalom race in which Swiss teammates took the next three spots, while in Wengen, Switzerland, compared Joel Gaspoz won his first World Cup slalom with a skillful performance on the steep Lauberborn

Walliser, 23, who is leading the women's overall standings with 229 points in her bid to retain that title, was clocked in 2 minutes 19.24 seconds for two runs on the Götschen Course. She finished 2.16 seconds ahead teammate Vreni Schneider, who was four-hundredths of a second ahead of Brigitte Oerth and nne-tenth of a second before

fourth-place Zoe Haas. Mateja Svet of Yugoslavia was fifth, timed in 2:21.70.

Gaspoz, 24, won with a com-bined time of 1:36.86 seconds on a

drop. Dietmar Köhlbichler of Austria was second, in 1:37.40, with Bojan Krijaz of Yugoslavia third in

Didier Bouvet of France was a close fourth, in 1:37.46, while fifth place was taken by Swedish ace Ingemar Stenmark, with a time of 1:37.72.

Gaspoz had the fifth-best clocking, 50.60 seconds, in a first run flagged with 57 gates. He had the best time, 46,26 seconds, on the second run, through 55 gates.

He moved from fifth up to third place in the overall cup standings, behind countryman Pirmin Zurbriggen and Markus Wasmeier of

West Germany. Of those who skied in the second. leg, 13 were eliminated for missing gates when they lost their balance. Among the casualties were de-fending World Cup champion Marc Girardelli of Lucembourg, Rok Pe-

trovic of Yugoslavia and Andreas Wenzel and Paul Frommelt, both of course with a 155-meter (168-yard) (UP1, AP)

PEANUTS





Unscramble these four Jumbles, one letter to each square, to form four ordinary words. SWYNE TAVIL **TYRRAM** RICHER THAN OTHERS **VEECAL**

Print answer here: 44 Jumbles: TONIC CHASM PARLOR RADIUS

WEATHER

Answer: The egotist found fault with everything except this — HIS MIRROR

Belling Kong Kong Manila New Dethi Secul Shanebat Singapure Taleei Takya MIDDLE EAST

MONDAY'S FORECAST — CHANNEL: Slight, FRANKFURT: Fegey, Teme, 1-3 | 18—23), LONDON: Fogsy, Teme, 1 — 1 | 134—30), MADR | D: Cloudy, Temp, 6 — 2 (39—23), NEW YORK: Robiny, Temp, 7—4 (45—39), PARIS: Fogsy, Teme, 4—5 (21—18), ROME: Cloudy, Temp, 13—7 (55—45), TEL, AVIV: NA. ZURICH: Cloudy, Temp. 4—6 (22—21), BANGICK: Fogsy, Temp. 20 (59—68), HONTO KONG: Folk, Temp. 2—17 (70—43), MAMILA: Cloudy, Temp. 31—20 | 188—48), SEQUL: Fogsy, Temp. 11—9 (30—18), SINGAPORE: Folk, Temp. 30—20 | 186—73), TOKYO: Folk, Temp. 11—5









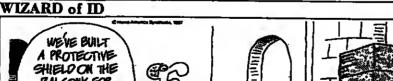


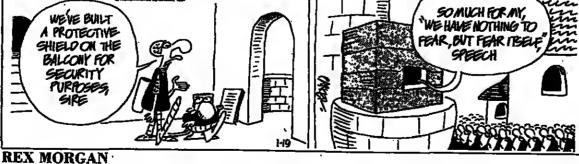


















WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The Amsterdam Stock Exchange staged a modest recovery last week, as the ANP-CBS general index held firm at 271.1, against 271.3 the previous Friday.

Total turnover rose from 4.8 billion guilders to 6.23 billion.

Stockbrokers at the Amsterdam firm Kempen & Co. said they were moderately optimis-tic for the market this week. They said the rising trend should soon be confirmed, notably because of falling interest rates and a bottoming out in the dollar's slide.

Frankfurt

The Commerzbank index gained 14.9 points to reach 1,928.4 on the Frankfurt stock exchange last week. Investors remained active despite turbulence on exchange markets and a strong Deutsche mark, which penalized West

German exports... Volume of transactions came to 2.29 billion DM. up from 2.08 billion the previous week Department stores were well supported. Karstadt gained 2.10 DM to reach 462.10, while Horten finished 11.80 DM stronger at

Hong Kong The Hong Kong stock market opened strongly Monday before suffering moderate setbacks later in the week in what dealers said was a correction after surges in the past two

Despite buying frenzy Monday that pushed the Hang Seng Index up 53.14 points to a record 2,614.87, the index closed the week at

2,542.57, down 19.16 points from a week at 2,542.57, down 19.16 points from a week earlier. The Hong Kong Index declined an almost identical 19.17 points to close at 1,621.81.

Dealers said Monday's bull run was spurred by the partial acquisition by an Australian businessman, Alan Bond, of a local commercial television station, Hong Kong Television Broadcasts Ltd.

Broadcasts Ltd.

Daily average turnover dipped to 1.23 billion Hong Kong dollars, down from the previous week's 1.3 billion dollars.

London

Severe weather failed to discourage a surge in share prices over the past week on the London Stock Exchange. The FT-SE 100-share index established re-

cords on four consecutive trading days, closing Friday at 1,789 points compared with 1,752.3 the previous week. The FT 30 index closed up 16.6 points on the week at 1,403, just off its all-time high of 1,425.9 points established in April last year.

Hopes of tax cuts and lower interest rates, the prospect of an early general election and Wall Street's persistent strength fucled rises in most sectors.

most sectors.

Oils were particularly strong as cold weather pushed crude prices to their highest for 12 months. Heavy demand was noted for BP. Britoil and Shell, while British Gas rose to its highest since denationalization late last year. Insurances, in contrast, fell victim to nervous selling on fears of substantial claims arising from the bad weather.

Milan

Milan's COMIT index rose by 2.09 percent to 729.46 points last week, canceling out losses caused the previous week by the crisis in the

European Monetary System.

Trading volume was high with 208 million shares changing hands, against 109.6 million the previous week, as the bourse's monthly accountancy period fell due.

Analysts said that the market was still susceptible to fluctuation from rumors about currency movements. They said they expected a more accurate picture of long-term trends by the end of the

month, when two finance houses, Credito Ita-

liano and Agricola Finanziaria, turn to the market to increase their capital. Paris

Prices on the Paris Bourse advanced 2.5 percent last week, with the CAC index moving up to 417.5 from 407.2

up to 417.5 from 407.2.

A revaluation of the Deutsche mark in the European Monetary System and a resolution of linguing labor disputes left investors in buoyant spirits. Trading for the week totaled 50.609 billion francs, compared with the previous week's 41.922 billion.

Analysts are now looking for lower interest

المنظمين ال

rates in Japan and Europe and are waiting for

West Germany to make the first move. In France, interest rates are seen as having considerable capacity to decline after having been raised to defend the French franc. Investors have been heartened by the per-

spective of a pronounced improvement in corporate results, with some analysts putting the hike at 15 percent to 20 percent this year.

Singapore There was strong buying interest in the Singapore stock market last week, with attention focused on blue chips and Malaysian-based

plantation counters. The market stagnated for a while midweck but dealers and speculators saw this as a healthy sign as it offset some beavy purchasing

carlier in the week. Toward the end of the week, particularly on Friday, Malaysian plantation stocks, which had been neglected recently, were sought, and many chalked up significant gai brought the average daily turnover to 42.86 million units, against 27.06 million the previ-

ous week. The Straits Times Industrial Index, which touched a 29-month high of 957.97 on Wednes-day, fell back to 949.91, for a gain of 24.39 points for the week.

Tokyo Share prices on the Tokyo stock market

closed out the week at record highs. The 225-issue Nikkei stock average, a 99.06-yen winner the previous week, posted a 339.27-yen weakly gam to close at 19,149.63 yen, topping the previous record of 18,936.76 yen set Jan. 6.

The TSE index of all issues listed in the first section hit 1,639.53 points, surpassing the record set Jan. 6 of 1,593.62. The market was

closed Thursday for a national holiday.

Many institutional and corporate investors who had stayed on the sidelines for some time returned to the market Wednesday and Friday amid persistent rumors that the Japanese and West German central banks would lower discount rates to check a further rise of their

currencies against the U.S. dollar.

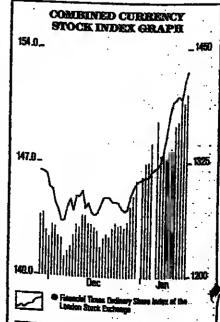
Market analysts predicted more records this week, but some warned that the Bundesbank meeting this Thursday would be the key.

Zurich

Share prices lost ground last week in response to the depreciation of the dollar and what was described by specialists as a feeling of insecurity in the market.
The Credit Suisse index finished Friday at

554.6, down from 556.9 the previous week. Specialists said the trend in the coming week would depend on the direction taken by the dollar, but they noted that a continuing surge on Wall Street could exert a positive influence in Zurick.

In foods, Hero, which is being sought by the multinational Jacobs-Suchard, rose 550 Swiss francs to 4,500, after its quotation was suspended Wednesday and Thursday in the face of strong speculation,



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'Stripes' Has New Zealand Against the Wall

Conner Wins by 3:38; Kiwis Trail, 3-1, Call for Time-Out After 'Disaster Day'

By Angus Phillips Washington Post Service FREMANTLE, Australia — For three and a half months, New Zealand built a record of unparalleied efficiency on the water in its first America's Cup campaign. On Saturday, the walls came crashing

"We had what we call a disaster day," said skipper Chris Dickson. "We're just happy to have the boat back in one piece and all 11 men

But he wasn't happy about the 3-minute, 38-second thrashing at the hands of Dennis Conner's Stars & Stripes, which leaves New Zealand down by 3-1 in the best-of-seven final series to pick a cup challenger. Meanwhile, in the defender finals, Kookaburra III continued its domination of Australia IV with a 2:06 victory that produced a commanding 3-0 lead in the best-of-nine series

to pick a defender (see story, below). The New Zealanders called for their second and last lay day on Sunday to regroup, to install a new mast, to decide on a new mainsail and to try to find a way to stay alive in a regatta they had been favored to win only four days previously.

Much went wrong on a wild day of big winds and six-foot Indian Ocean seas, but most of the probms were traced to one ma mi-up at the end of the second leg. ien New Zealand's hopes of a ip triumph went out with a bang, not a whimper.

New Zealand trailed by half a minute at the time and was having minor gear problems as it sped downwind under a ballooning maker in 25 knots of wind.

As the New Zealanders appreached the second turning mark. a zipper on the mainsail stuck open, making the sail too full, and a man was aloft trying to zip it shut. When the job took too long, the crew wound up barreling down to the buoy unprepared to douse the spinnaker and still maneuver around the buoy under control.

"The only thing I can call it is a crash jibe," said Dickson of what happened next - when the 25bot-long (7.62-meter) aluminum poom at the bottom of the mainsail come flailing across the deck out of control as the boat turned sharply before the wind.

'Crashing uncontrolled under a tremendous load, the boom and Zealanders were to fit a new one, mainsail knocked out electronic instruments at the transom and the backstay that helps support the mast, broke the masthead crane worite

that holds the mainsail up and bent

New Zealand was in chaos, "We were happy to have a rig [mast] in at all," when it was over, said Dick-

Crippled, New Zealand went limping into the wind up the third leg with sails flapping and broken rigging flogging crazily, while Con-ner's crew opened a decisive lead. It was an uncharacteristic foulup, for New Zealand has boasted

AMERICA'S CUP

the best crew work of any team all season after spending nine months practicing here. What went wrong?

"They looked nervoos oot there," said Tom Whidden, tactician for Stars & Stripes. "Maybe the Maori dancers trying to put a spell on us this morning backfired

Indeed, it had been another morning of unbridled excitement around the New Zealand dock, where thousands gathered to see the boat off, including 20 native New Zealand tribeamen in a Maori war cance chanting a dirge.

But as it turned out, Conner's team suffered not a whiff of trouble, sailing effortlessly through the heavy winds, which topped out at 28 knots, in their smoke-blue yacht. Meanwhile, the New Zealanders had more bad lnck coming.

Ten seconds after they crossed the finish line, their mainsail exploded as a seam gave way under

The mess took half an hour to clear. The tattered sail was stuck in the hoisted position, but because of the earlier damage there were no lines to haul a man to the top to get it down. Dickson said that after much consultation, "We decided there was no safe way to do it, so we looked around for volunteers" and sent howman Farle Williams aloft.

climb up the 90-foot mast, going the last 25 feet hand-over-hand

At top, hanging by one hand and two legs, be hacked the head of the insail off with a pocketknife un-

The crash jibe bent and mined the mast, so on Sunday the New They were also to work on repairmainsail, which was Dickson's fa-

The last-minute fixes should do Saturday night and look around entering what could be his final race of the 1987 cup.

His confidence may already be on the ebb. "The way the Kiwis sailed today was very, very curi-ous," said Whidden, who expected them to attack Stars & Stripes aggressively after they won the third race of the series Friday on the strength of superior tacking and

But on Saturday, Dickson allowed Conner a clear path at the starting line, and the California skipper sped out to clear air.

Dickson let it become a drag race nstead of a tactical duel, playing to Conner's strength.

Halfway up the first leg. Whid-den turned to his skipper and said: We've got 'em, as long as we don't

Dickson apologized to Conner for the poor performance, but Con-ner, relieved to be in a commanding position in the series, said happily: That's quite all right."

Barring a complete turnsround, Conner seems assured now of getting his chance to win back the cup. In 1983, he was the first American to lose it, when his Liberty fell to Australia II.

In a celebratory move, Conner invited fans clustered around the

nothing for Dickson's confidence but the move backfired when one unscrupulous guest used the opportunity to try to sneak a glimpse under the security shrouds at Conner's secret keel.

Whidden caught the interloper in the act, grabbed him by the scruff of the neck and threw him out, saying: "You're out of here, Surprisingly, Dickson confirm

that the New Zealanders, if they are eliminated, are inclined to help the Australian defender prepare for the cup races against Conner, rather than offering aid to Stars &

Historically, challengers help one another and defenders help each other gear up for the cup finals. But Dickson said his syndicate chiefs think it would be in their interests, if the New Zealanders don't win, for the cup to remain in the Southern Hemisphere, where New Zealand can mount another moderately priced challenge in

Conner said if he were to be climinated, he would offer his help to the New Zealanders, as is the tradition. Conner wouldn't say so, but oth-

ers in his camp said the New Zealanders could provide valuable information to an Australian defender about Stars & Stripes'



Bowman Earle Williams went precariously aloft on Saturday to back away at the head of New Zealand's stredded up

Australia IV Has Lost Its Advantage in Heavy Air

Compiled by Our Stuff From Dispatches FREMANTLE. Australia — Its loss Saturday in the kind of weath- said er in which it has prospered all season gave weight to the theory thing was done to Austraha IV's hull or keel during the recent break between trials to slow it

"You have to figure Australia IV ocked around for volunteers' and is going slower," said John Mar-ent bowman Earle Williams aloft. shall, design chief for Stars & Williams took several minutes to Stripes, the top challenger contend-"Kookaburra III wasn't out of the water long enough for anything major to be done to her to improve

that much Marshall's theory is that some minor change to the wings on Anstil the tatters came tumbling to the tralia IV's keel has fouled up its performance, and now that the final series is started the hoat is strick with it, since regatta rules forbid

With the increasing likelihood that Stars & Stripes and Kookaburstruments at the transom and the ing the destroyed electronic gear that Stars & Stripes and Kookabur-top of the mast, clipped off the and pick a replacement for the ra III will meet Jan 31 to begin racing for yachting's top prize, Marshall said he was unsure of how

On Saturday, Kookaburra III handled breezes up to 28 knots with surprising ease; Australia IV throughout the season has been sharply competitive with Kookaburra III and has held an edge in heavy air. But now, after three straight losses in winds from 16 to straight losses in winds from 10 to 28 knots, Australia IV seems to have no advantage in any condi-

"The races have become drag races, and there's no problem with that," said lain Murray, 28, who helped design and build all three Kookaburras and now skippers the best of them. Peter Gilmour, the backup

Kookaburra skipper, oversaw Satthe fourth straight race and powered over the line with a threesecond advantage. The contest was never close after

fast Kookaburra is. "I'm going to stretched it to 1:12 by the third have to do some work on that," he mark.

As Colin Beashel jibed around the wing mark, Australia IV's spinnaker pole swung loose, striking bowmen Damian Fewster on the head. Beashel struggled to keep the yacht from spinning out of control; Fewster fell to the deck on his hands and knees, holding his head, as Beashel battled to reset the spinnaker. Fewster sustained a minor concussion and scalp lacerations. Kookaburra III then gained 45

seconds to round the sixth buoy with a 1:38 edge, Murray, reveling in the blustery winds, opened a 2:01 bulge at the seventh buoy.

Australia IV called a lay day Sunday, during which its crew will

try to improve its performance, said spokesman Vern Reid. "Obviurday's prestart maneuvering for ously we will continue to fight until the last race," he said.

we must improve our upwind per-

Australia IV is the flagship of Alan Bond, the West Australian millionaire who spent 10 years trying to wrest the cup from the New York Yacht Club before he succeeded in 1983 with the radical, winged-keel Australia II.
Now, with Australia IV near

elimination, Bond appears likely to fail to defend the cup he worked so long to win.

The Perth multimillionaire pointed out that he was down by 3to Dennis Conner's Liberty in 1983 before coming back to win with Australia II and the breakthrough keel. But the skipper of Australia II's triumph, John Bertrand, said of the syndicate's current situation, "it's desperation

"There's always a chance," said Following earlier losses to Kook- Bertrand, who is not racing in this aburrs III — by 1:34 and 0:46 — competition. "They're off the pace. Reid said, "It is becoming obvious But we're seeing a bigger difference Kookaburra III slipped to a 23- that in the wind and sea conditions than before between Kookaburra second lead on the first leg and experienced over the past two days and Australia IV." (WP, UPI)

Sukova, Leconte Lead Exodus in Melbourne, **But Top Seeds Advance**

Compiled by Our Staff From Dispatches MELBOURNE - Fourth-seeded Helena Sukova of Czechoslovakia and No. 6 Manuela Maleeva of Bulgaria were upset Sunday in the

AUSTRALIAN OPEN

Australian Open tennis tourna-ment, as were No.5 men's seed

Henri Leconte of France and No. 7

Brad Gilbert of the United States. The women's top two seeds, Martina Navratilova of the United States and Hana Mandlikova of Czechoslovakia, gained the quarter-finals, as did No. 3 Pam Shriver, No. 7 Zina Garrison and No. 8 Lori McNeil all of the United States. No. 5 Claudia Kohde-Kilsch of West Germany, No. 10 Catarina Lindqvist of Sweden, who beat Maleeva, and Elizabeth Smylie of Australia, who onsted Sukova.

Third-seeded Yannick Nosh of France, launching his first serious attempt in a grass-court tournament, moved into the men's fourth round with a 7-6 (7-4), 4-6, 4-6, 7-6 7-2), 6-4 victory over American

On Saturday, Ivan Lendl, the world's No. 1 player, beat Matt Anger of the United States, 6-4, 6-2, 6-7 5-7), 6-2, and No. 2 seed Boris Becker of West Germany defeated Slobodan Zivojinovic of Yugoslavia, 6-3, 6-3, 3-6, 6-3, to advance into the fourth round along with No. 4 Ste-fan Edberg of Sweden, the defend-ing champion; No. 6 Miloslav Mecir of Czechoslovakia; No. 9 Anders Jarryd of Sweden and No. 14 Tim Wilkison of the United States.

Navratilova, seeking her 16th grand slam singles title, defeated oung Jamine Thompson of Australia, 6-4, 6-1. But Sukova, who upset Navratilova here in 1984 (ending a 4-match winning streak), was her-

Davis Cupper Paul Annacone, who game.

second successive match to win by 1-6, 4-6, 6-3, 6-4, 10-8. Australian Peter Doohan, who is ranked 297th in the world, then upset No. 8 Kevin Curren of the United States, a former Wimbledon and Australian Open finalist, 4-6, 6-3, 6-4, 6-4. Derrick Rostagno of the United States

beat Gilbert, 4-6, 6-2, 6-3, 6-1. After the first two sets, Leconte appeared headed for an easy victory. But Annacone began serving magnificently and forced Leconte into many ground-stroke errors

with his deep forehand volleys.

No. 13 Robert Seguso of the
United States, who has been troubled by torn knee cartilage for some months, got past Javier Frana of Argentina, 6-3, 3-6, 7-6 (7-5), 6-4, but said "there is no way I can beat Edberg" in the round of 16.

"It's a miracle I got this far," he added. "T've about eight bours' practice since the U.S. Open in September, and I wanted to pull out before the tournament started. But the officials told me I had to play.

Mandlikova defeated No. 12 Carling Bassett of Canada, 6-2, 4-6, 6-2; Shriver routed No. 14 Jo Durie of Britain, 6-1, 6-2; Garrison elimin tralia, 6-1, 6-3; McNeil rallied from a 1-5 first-est deficit to defeat Anne Hobbs of Britain 7-6 (7-4), 6-3, and Kohde-Kilsch stopped fellow West German Sylvia Hamika, 6-3, 6-1.

Lendl, who is trying to win his first grass-court grand slam title, next plays NCAA champion Dan Goldie of the United States, who served superbly in the final two sets to upset No. 16 Ramesh Krishnan of India, 3-6, 7-5, 6-7 (5-7), 6-2, 6-2. Krishnan, a stylish grass-court player, reached Wimbledon's quar-terfinals last year, but Goldie, 23, self upset by Smylie, 7-5, 3-6, 7-5.
Lindqvist beat Maleeva, 6-3, 6-3.
Leconte was eliminated by U.S.

playing in only his fourth tournament on grass, finished him off with three aces in the match's final



No. 4 seed Helena Sukova, down and out of the Australian Open.

SCOREBOARD

Hockey

23 10 7 63 144 147 21 18 7 63 144 147 21 18 4 45 147 151 21 19 5 47 157 142 17 23 7 41 151 (32 12 26 4 18 144 178

VHL Standings

the Division

20 12 2 42 210 153

24 17 4 52 155 151

25 29 1 51 183 179

20 31 0 45 191 191

(At Waness, Switzerland)
(At Waness, Switzerland)
(At Markus Wosmeler, West Germany, 2 inutes, 2942 seconds
2. Kert Alpiger, Switzerland, 2:30,71
4. Danilo Spendelletin, Hely, 2:31,24
5. Peter Metter, Switzerland, 2:31,32
6. Danilo Spendelletin, Hely, 2:31,34
6. Danilo Spendelletin, Hely, 2:31,34
7. Peter Wirnsberser, Austria, 2:31,34
8. Pirntin Zurbriggen, Switzerland, 2:31,43
8. Pirntin Zurbriggen, Switzerland, 2:31,43
8. Stefan Niederser, Austria, 2:31,44
8. Stefan Niederser, Austria, 2:31,44

Staton Niedersser, Assesser
Staton Niedersser, Assesser
(At Waspen)
Joel Gossez, Switzerland, 1:34,56
Dielerser Konstacher, Austria, 1:37,50
Baton Krijez, Yupenduria, 1:37,46
Oldier Bouvet, France, 1:37,46
Insernor Staton L Chaire Bouver, French, 1379 1. Ingentor Stephonic, Steden, 13272 1. Alberto Tombo, Holy, (13793 1. Rollond Nierlich, Austria, (1381) 1. Alathias Berthold, Austria, (1384) 1. Johann Waltner, Sweden, 13840 1. Pirrain Zurarigeen, Switzerland, 13845

Overall Steadings

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Moogi 7-13-16-14.
Vancouver
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11 1-7
Sundstreen (16), Sutter (12), Moncwell (11,
Tarrit (19); Molien 2 (26), Bullard (16), Shets
on deel: Vancouver (on Vernon) 10-7-6-25.
Visualization
Hartferd
Gariner (11), Hotcher 2 (4), Christian 8 (18),
Gould (11(; Jarvis CSI, Shets on deel: Washington (on Llut, Weeks) 9-7-6-22; Hartford
(on Mason) 11-9-29.

Bullinia
Liemioux (12), Wolter (10), Monesso (8),
Skrudand (7); Creighton (S), Foliano (13),
Shets on soot: Suffaco (on Hoyward (11-7-9-2),
January (13), Shets on soot: Vandond (17), Creighton (5), Foliano (13),
Shets on soot: Suffaco (on Hoyward (11-7-9-2),
January (18), Monesso (18),
Shots on soot: Suffaco (on Hoyward (11-7-9),
Chicaso

World Cup Skiing

2. Troudi Hücher, West Germany, 1:17.92
2. Marina Kleht, Wast Germany, 1:18.37
4. Maleia Swi, Yugoslovio, (:(8.43
8. Maccasia Marzaio, 10th, 1:18.43
4. Vrent Schneider, Switzertond, 1:18.67
7. Litas Sovifieryl, Conodo, 1:18.53
9. Maria Wolliger, West Germany, 1:19.14
10. Diana Holent, Conodo, 1:19.17
Gient Stolom
(Af Bischleisersen, West Germany)
1. Maria Wolliger, Switzerland, 8:19.24

(1:0843-(:184((2. Vreni Schneider, Switzerland, 2:21,40 4, Zoe Hottl, Switzerland, 2:21.50 (1:09.63-

5. Motelo Svet. Yuposlovia, 2:27.70 (1:10.74-& Blanco Fernandez-Ochos, Spain, 2:21,57 ((:1044-(:1C3CC 2 Marina Klehl, West Germany, 2:2223 (1:07/78-1:72:45) and Elizabeth Kirchier, Aus-

trio. 2:2221 (1:10.04-1:12.19)

Overall Standings

1. Maria Walkist, Switzerland, 229 points

2. Vrani Schneider, Switzerland, 281

3. Srights Certil, Switzerland, 170

4. Erika Hess, Switzerland, 128

5. Maksia Svel, Voposlavia, 130

7. Tamana, Marijang, 115

7. Tamana, 115

7 4. Temper Sver, 1 upwaren, 1.5.
4. Temper McKinney, U.S., 118
7. Alichela Fizini, Switzerland, 108
8. Cotherine Quitter, France, 104

(0. Sylvic Eder, Austria, 2:22.48 (1:10.22-

Tennis

Australian Open

Lori McNell (8), U.S. def. Martenne Werdel, U.S. 6-2.7-di Cleudia Kunde-Klisch (5), Wast Germany, 461, Tim Mochbolk, U.S. 6-2.7-di Cleudia Kunde-Klisch (5), Wast Germany, 461, Tim Mochbolk, U.S. 6-2.7-di Lis Smylie, Australia, def. Boverier Bobin Wirle (7), U.S. 6-1.6-di Wendy Turnbull (11), Australia, def. Jennifer Mundel, South Africa, 4-4, 6-2 Certine Bussell (18), Conoda, def. Andrea Hollkova, Czucheslovakia, def. Arthere Solksouth (5), Serbertwakia, def. Christines Jolksouth (5), Switzerland, 4-1, 6-2 Zina Garrison (7), U.S., def. Eva Pfall, West Germany, 6-2, 3-4, 7-d.

ENGLISH FIRST DIVIZION
Everten 2, Sheffield Wednesday 8
Manchester City 6, Liverpool 1
Artenol 9 Coventry 9
Polits Handleye: Artenol 52; Everten 50;

Liverpool 45; Nettinghern Forest, Luton, wich 37; Tellenhern 36; Covenity 37; Will

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ers: Borcalens 21; Rast Modrid

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10-13-104-34.

Quebec 81-2
Detroit 9: 10-3
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2 (11), Shelts an east: Quebec (on Steam (1045-21; Detroit (on Meloscon)
18-4-7
Tensels 9: 11-4
Titiconen 8: (21), Kurri 2 (25), Green (44, Smith (44), Cardinate (43), France (43), Fran

Transition

sive coordinator and Larry Belefiel, Richard Williamson, John Sabe and Srivester Cross

EASEBALL
Assertican League
BALTIMORE—Acquired Tony Homes, outlielder, from the Chicase Guis in exchange
for Alike Reddish first boseness, and essigned him to Hosershown of the Carolina
League.
BOSTON—Signed Steve Crowford, eliciter,
to a one-year contract. Named Doue Combill
manager of Winter Howen in the Florida State
Lastes and Dick Bergdina manager of
Greensbora in the South Attantic League
AllLWAUREE—Signed Gree Brock. Infielder, and John Henry Johnson, Mark Clery
and John Henry Johnson
All Wall League, Mark Johnson ich Bembard cooch of Cader Repids of the lidwigt Leggue and Carl Wolson couch of Irobeta, Guiff Cacol League, Rehired Jack nd. manager of Rehirbilla, Marc Bembard, aroger of Tomas, Poul Kirch, hanager of other Repids. Sam Mellos, manager of Serp-tion Limited volver learne Malforne Hand

tue batting instructors, and Harry Dorbh Larry Rothschild, minor league pitching and Lerry Rothschild, minor league pitching and Lerry Rothschild, minor league pitching don 35; West Hom 34; Wolferd, Sheffield Wednesdor 35; Monchester United, Oxford State Business, to one-year contract.

MONTREAL—Signal Tem Felov, Infletier, to help of Contract to the Contract t MONTREAL—THE CONTROL FIRST PLANT PLA

National Bestatival Association MILWAUREE—Signed John Lucos, guard, LA, CLIPPERS—Traded Codric Mannell,

Rational Fostus Largue
AMERICAN CONTERNACE—Named
Boomer Esteon, Circhnoll sucritarios, in Millors 1, abodell 0
replace Dan Alarine of Atlantion the Pro Bowl
Sonitander 2, Seville 0 KANSAS CITY—Named Horser Smith of-ensive coordinator and Dave Brezil detenU.S. College Results FRIDAY'S SCORES

Altred B. Burlole 18
Burdoln 47, Husson 67
Browles 73, Norwich 71
Brown 22, Columbia 81, 07
Contains 67, Hertferd 64
Carnell 93, Yole 87
CW. Pest 76, Kutztewn 60
Destrinoum 74, Hervard 67
Middlebury 93, Bobson 81
21, Lowrence 93, RP1 86
FAR WEST Layein (Celf.) 70. Portland 67

SATURDAY'S SCORES SATURDAY'S SCORE
EAST
American Intl. 79, Bestley 43
Amherst SL, Williams 75
Boths 91, Worcoster Tech 99, OT
Cornell 91, Brown 64
Drawel 76, Lehlah 74
Doquester 72, Massachusetts 99 Pointfield 63, La Saite 60 Howthorne 64, New Engl Holy Cross 72, Army 23 Maine 41, Baston U, 42

Middlebury 17, Brandels 57

Pittsburgh 112, Chicago 5t, 76 Providence 81, Boston Col. 9) Rhode (stand 79, Rutgers 51 51. Francis (Pa.) 104, Lane 1sh 51. John's 69, Connecticut 54

Alobomo 91, Alestaelos Q Alobomo 91, Alestaelos Q Alobomo 91, Alestaelos Q Clemson 72, Monylond 44 Dovidson 82, Aspolochion 51, 97 Duta 69, Wolte Forest 69 Fioritia 17, Tonnessee 10 Europea 81, VAM 91

Florida 17, Tenneaue 10
Furmon 90, VAN 71
Georgia 48, Albastasion 51, 4(
Jocksonville 89, Old Dominion 7)
Richmond 74, George Attacon 32
South Caroling 64, Memphis 51, 53
Tonn-Chatterago 77, N.C.-Acteville
Vanderbill 71, Auburn 75
Virsinic 88, Villanevo 39
Virsinic 88, Mory 97, Jones, Modison
Alcon 99, Austin Peor 76
Boll 54, 86, Onio U. 81
Bewling Green 85, Kent 31, 63
Cent. Michigan 76, Toledo 99
Chickmon 49, Florida 51, 67
Connell (Israe) 97, Bithols Col. 64 Cornell (lowe) 73, Illinois Col. 44 Creighton 65, Droke 63. DePaul 11, 30v... I Rinols 80, Minnesoto 59 18, E. 1lifne

DePosi 11. South Florida 55



Darrell Kennedy (white jersey, above, battling for a first-half rebound) hit a jumper with 12 seconds left to give Oklahoma rebound) hit a jumper with 12 seconds left to give Oklahoma
an 89-88 victory over previously unbeaten Nevada-Las Vegas.

Survivy 9-15 3-12 21, Fastingen

Basketball

Korses III, Miemi (Pie.) 47 Konses St. 48, towe St. 48 Morsuette 64, Device S7 Aklemi (Oble) 77, W. Michig Otric St. 61, Wisconsin 64 Tutsa 69, Indiana St. 49 Wichita St. 81. 5. Illinois At Xervier (Ohio) 77, St. Louis 67

Lorner VI. Hobito 57
N. Texas St. 72. McNeese St. 64
Oklohomo PF. Nev-Las Vesas 80
Ord Roberts 71, SW Texas St. 63
Texas 61, Se. Methodist 21
Texas ALM 82, Texas Tech 40
W. Texas St. 64, Angelo St. 64
FAR WEST
Arizzon 71. Westernen 72

Arizona 73, Washington 72 Brigham Young 90, Hawati 79 California 87, Stantord 72 Colifornia IV. Stanford 72
Colifornia IV. Stanford 72
Gotzogo (14, Layela (Colif.) 191, OT
Leng Beoch St. 80, New Mexico St. 75
Metro St. 72, Seathle Pacific 64
Montana St. 81, Weber St. 83
New-Rane 84, N., Artsona 77
New Maxico 80, Atr Forca 65
Partiand 69, Papperdine 21

National Basketball Association Standings

19 (8 .514 7½ 18 25 .234 14½ 10 27 .270 16½ 25 10 . 714 — 24 11 .486 1 21 16 .990 4 19 14 .543 4

24 14 A22 — L.A. Clippers 20 27 30 34—187
21 14 583 212
18 18 580 2
16 22 A10 59/2
10 11 26 27 (31)
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28 8 A70 4 A0 Drew 5-10 0-9 14, Reheusels: Los Anoseles 21 Cope 9), Phoenix 57 (Phinchery, Adonns, Hornocak, Honors 5), Assists: Los Anoseles 22 (Drew 9), Phoenix 57 (Phinchery, Adonns, Hornocak, Honors 5), Assists: Los Anoseles 22 (Drew 9), Phoenix 57 (Hornocak 12), Urbs 30 21 23 25—91
18 21 5 A15 314 Reheusels: Urbs 41 (Enter 10), Son Antenio 77
29 17 5-11 89/2
19 22 23 33 30 6—133 89/2 (Glyrorn 25), Assists: Urbs 22 (Green 7), Son Antenio 77
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Section 32 (MCAN(I)GR 127.

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Accoles 48 (Cope 11), Golden State 43
(L.Smith 17), Aesthas Los Anceles 19 (Veten

Son Disco 66, Son Pronetsco 56 Son Jose St. 82, Presso 27, 61 Sonte Claro 55, St. Mary's (Calif.) 43

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Nasareth, N.Y. 31, 5t, John Fisher 71
Brockport St. 119, Hobart 102
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Connecticut Col. 59, E. Connecticut 45
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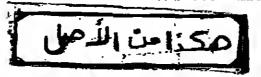
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New York 21 30 21 38-130 Cleveland 24 21 21 39-316 Harper 11-77 6-1(29, Williams 6-13 2-4 15,

Okidwon 72-79 9-15 32, Reid 9-31 3-4 27; De-mars 5-9 7-18 18 V. Rehevenis: Housian 59 (Somoson 12), Detroit 46 (Laimteer 10), As-sists: Hoeston 23 (Reid 9), Detroit 23 (Dumars Charles 23 19 36 36 14-32 California 12) Indiana 26 (Horper 7), Indiana 26 (Sthoromatics 10)



A Stor



LANGUAGE

Some Arcane Prolepses

By William Safire WASHINGTON —One of the last of the leading personalities of World War II visited Taiwan last month. Madame Chiang Kat-shek, 86, was asked by her stepson, President Chiang Chingkuo, to issue a statement endorsing his political reforms.

She made her statement, but The Economist's reporter in Taipei wrote: "the language was so arcane that it baffled interpretation." Madame Chiang said this: "I am fully cognizant of a prolepsis of

malicious misreading of my

thought given to you here." sis means "an anticipat ing." In the expanding language of media-bashing, it means the false description of an event before the event has taken place; a theater critic will write a proleptic review of a play that has not yet had its first performance. In rhetoric, prolepsis is the anticipation of your ing what he is likely to say in a slanted fashion and demolishing his point before he has a chance of

dvancing it himself. It's a super trick and I do it all the time; thanks to Madame Chiang, I now know the name for it. In return, let me edit and reactuate her sentence for those who find it arcane (from the Latin arcanus, "shut in, hidden"): "I am fully cognizant (better to use well aware) of prolepsis — the technique of maliciously misreading my thoughts - that has been given to you here." That could be followed by quoting Edward VIII's abdication speech opening: "At long last I am able to say a few words of my own."

L, TOO, was perplexed by her statement because prolepsis is easily confused with paraleipsis, which means "the technique of pointing something out while denying you are pointing it out."

In a speech during her visit, Madame Chiang deplored the way the free world had offered victory "as corban to whet the voracious appetite of the bear." Corban is from a Hebrew word for "sacrifice" and can still be found in unabridged dictionaries meaning "offering.

She noted with disdain the "prevalent prevarications" of some commentators. It goes without saying that Madame Chiang thinks the

ASHINGTON —One of the liberal bias. (In that last sentence, the prolepsis is the unfair assumption of her likely argument, and the paraleipsis is the saying of what is said to go without saying.)

> LT began in a New York minute after a recent piece about geographical derogations, the use of place names as modifiers to sneer at a trait or an occupation. My colleague Russell Baker passed along a cryptic message — "Larch-mont lockjaw" — which I took to mean the pronunciation affected by yuppies. I then passed it along as the speech affected by "upperclass lowerclassmen returning to suburbia."

> "The correct phrase is Locust Valley lockjaw," insists Arthur Knapp Jr. of Larchmont, New York, where the Larchmont Yacht Club faces Locust Valley, across the Long Island Sound barrier. He claims that locution denotes the speech of "the yacht-racing members of the highly social Seawanhaka Corinthian Yacht Club located on Oyster Bay, many of whom live in or around Locust Valley." "The Larchmont lockjaw to which you referred is also known as Locust Valley lockjaw and Main Line malocclusion," writes Eve

> Golden of New York City.
>
> Well, which is it to be — Larchmont or Locust Valley? Willard Espy, the wordsman whose most recent book is "Words to Rhyme With: A Rhyming Dictionary," re-calls, "In the early 1930s, the expression Larchmont lockjaw was generally restricted to certain up-per-class females from Westchester County, and the affliction was prearmably the fault of the schools ey attended."

However, recent print citations tend to place the locus on Long Island's North Shore. In a 1981 article in The New York Times on learning to be a preppie at age 37, Rita Esposito Watson wrote, "One lovely lady — with Locust Valley lockjaw — asked, 'How, my deah, are you going to manage graduate school in teeny-tiny quarters without household help? "A year later, in the same publication, Charlotte Curtis described an effusion by Gloria Vanderbilt as coming "in that locution so redolent of Locust Valley lockjaw,"

New York Times Service

John Adams's Eclectic Music

By K. Robert Schwarz New York Times Service

TEW YORK — At first glance, the music of John Adams appears to consist of ir-reconcilable elements. Long an admirer of Minimalism, Adams has absorbed and personalized a musical language that derives from that of Steve Reich. Yet he has taken the Minimalist heritage and dispensed with its old austerity, employing its gestures within a highly expressive, almost Ro-mantic context. The unexpected combination of Minimalism and Romanticism that ensues seems. in his hands, to present no conflict at all.

Perhaps that is because the two sides of Adams's music reflect two equally different parts of his personality. Like most composers with an abiding interest in Mini-malism, Adams is fascinated with repetitive rhythmic patterns. Yet he is also thoughtful and introspective, spicing his conversation with casual references to Jung and Nietzsche, and that subjective side is equally prominent in his music. Recently, during the composition of his orchestral work "Harmonielehre" (1984-85), be became fascinated with fin-de-siècle Vienna. "I find great inspiration in this period, precisely because of the primacy placed

on expression," he says. Adam's personality embraces one more pair of contradictions, between an almost childlike irreverent streak and a sober, selfexamining one. Critics have had a tough time with the former, which became all too evident after the premiere of his "Grand Pianols Music" (1981-82). "The Chairman Dances" (1985), performed recently by the American Composers Orchestra under Dennis Russell Davies at Carne-gie Hall in New York, similarly presents that side of me which drives people up the wall, they simply can't understand this strange, ironic stance I sometimes

The contradictions that comprise Adams's work were formed during a highly eclectic musical upbringing. Born in 1947, he studied with Leon Kirchner and Roger Sessions at Harvard, where he wrote in the acceptable atonal idiom of the 1960s, Soon, howev- equally exalted work were



Romantic Minimalist composer Adams: "I embrace the whole musical post."

er, his path toward modernism was disrupted, partly by his move to San Francisco in 1972. First, he became fascinated with John Cage and chance processes; next, he experimented with electronics; finally, he discovered the music of Steve Reich, which made the most profound impression.

His "Phrygian Gates" for pi-ano (1977-78) and "Shaker Loops" for string septet (1978) betray Reich's influence in their repeated patterns, but their directionalized sweep and impassioned climaxes already indicate Adams's own voice. "What sets me apart from Reich and Glass," Adams says, "is that I am not a modernist. I embrace the whole musical past, and I don't have the kind of refined, systematic lan-gnage that they have. I rely a lot more on my intuitive sense of

This became even more evident in Adams's "Harmonium" (1981), scored for huge chorus and orchestra. Set to texts of Emily Dickinson and John Donne, the grandiose climaxes and explosive rhetoric revealed the subjective, Romantic side of his personality for the first time. Yet listeners who expected "Harmonium" to be followed by another

shocked when "Grand Pianola Music" proved to be irreverent and even parodistic, filled with echoes of marching-band music and an almost perverse diatonicism. Adams, however, still defends "Pianola": "I truly love it, and in the long run, people will

find more outrageous originality in it than in either 'Harmonium' or 'Harmonielehre.' "Harmonielehre" refers in its title not only to Arnold Schoenberg's 1910 harmony treatise of the same name, but to the whole ferment of Viennese Expressionism. Echos of Mahler. Schoenberg and Sibelius abound in the piece, but Adams is quick to insist that they are not used in any

quotational sense.

The deeply personal expression of "Harmonielehre," is a far cry, however, from the perodistic antics of "The Chairman Dances." Inspired by a single image from his three-act opera "Nixon in China" — that of Mao dancing with his future bride, the movie star Chiang Ch'ing - "The Chairman Dances" is an amusing mixture of skewered, pulsing fox-trot rhythms of the lush string

lines of old Hollywood films. A collaborative effort with the director Peter Sellars and the librettist Alice Goodman, "Nixon in China" will receive its premiere at the Houston Grand Opera in October 1987, before moving to the Brooklyn Academy of Music's Next Wave Festival in De-

Adams observes with no small emount of satisfaction that "Nixon in China" may surprise many of his admirers. "It's funny and catertaining, but it's also sympathetic. There may be lots of irony, but there are moments when Pat and Dick are dancing together that are truly touching. It's not at all the political hatchet job that most people expect it's going to

But "Nixon in China" also addresses the larger issue of opera's role in contemporary musical life. Rather than seeing a danger in selecting such a recent topic, Ad-ams feels that "this is what opera should be doing. The movies, af-ter all, do it all the time. Opera is so completely out of touch in this century; it has lost its relevance to our experience. We hardly need another opera on the Shakespeare play or a Greek myth." And, while "Nixon in China" examines timely political and social issues, it will do so with that mixture of parody and sincerity, of Minimalism and Romanticism, that has become so peculiarly the composer's own.

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An Island of Nutmeg

By Mark Kurlansky

ST. GEORGE'S, Grenada — So close to South America and so far from the United States, Grenada has remained the Caribbean's perfect little island through cours, revolutions and invasions, or if you prefer, rescue missions.

And it looks like it is going to stay that way for a while longer. What to do on Grenada while the locals are waiting for a tourism boom that has never happened: eat a local West Indian cuisine still uncorrupted by the demands of tourists, swim in deserted white sand coves, romp through dense tropical mountains, or drink strong, untineg-scented rum punches with the lonely hotel managers at their cozy, empty bars. While the number of visitors grows dramatically every year, the 13-by-21-mile (21-by-34-kilometer) island cannot become too overrun while there are only about 500

tourist class hotel rooms. There does seem to be an effort to preserve the look of the island. With customary Grenadian imprecision, a law bans the construction of buildings taller than the beight

of a palm tree. So the beaches look almost virgin in long expanses of sand. A few low hotels are hidden behind the paims on Grand Anse Beach near the capital. There is nothing but tropical nature in most of the se-cluded coves elsewhere.

St. George's, the capital, is a town of narrow steep roads built against tropical mountains. Its red roofs, the old ones tile and the new ones painted metal sheeting, contrast with the deep green of a Span-ish Basque village. The town wraps around a deep harbor, a perfect royal blue color.

What really makes this town seem like an enchanted place is the smell. It is a bitter-sweet, fruity, dark smell almost like good rum. It is the smell of nutmer, the leading export. It is bagged in burlap, trucked to town and shipped from the harbor. But anywhere in town, especially along the Carenage, as the row of storefronts along the harbor is called, there is that aroma. of walking in the land of eggnog. Other spices grown on the island include cinnamon, cloves and allspice. All play a strong role in the local cuisine. There is cinnamon

and nutmeg ice cream. Sea moss is

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weed with milk and spices. It taste

like a nutmeg milkshake. The only concession most restaurants make to foreigners is the powerful homemade hot sauce is put on the table in a bowl for Grenadians to heap on their food and foreign-

ers to avoid. If there is such a thing as the Grenadian national dish it must be callaloo soup. Its base is the heartshaped leaf of a plant called dasheen, tare or elephant ear. The leaves are pureed and blended with a stock from crab, lobster or crayfish and cocount milk.

Among the game of the island is opossum, a strong gamey tasting animal known locally as manicoun A more delicate meat is armadillo, known here as tattou. Crab back, spicy stuffed land crab, is also pop-

And like everywhere in the is-lands there is breadfruit, which looks so interesting hanging from the trees in great bumpy green balls but in taste resembles a slightly fruity, generally tasteless potato. The challenge is to make it interesting since it costs almost nothing to grow or buy. So there are bread-fruit puffs, fried breadfruit balls, stuffed breadfruit, cream of breadfruit soup and breadfruit salad. Any of these would be better if you used a potato.

It is better to have sea eggs on toast. These are white sea urchins. The meat is dried in the sun and sold stuffed back in a despined w chin shell. It is then sauteed and served on toast. Another sea for staple of almost all the islands conch, known by the Creole name, lambi. In Grenada it is marinated curried, cooked in coconut or any-

thing else.
To taste the full range of Grenadian food the place to go is Ma-ma's. Mama, whose real name is Inslay Wardally, is as round as a breadfruit, and she and her four daughters serve more than 20 dishes for about \$20, with drinks.

There is food everywhere, and it socially acceptable to steal a quick meal from your neighbor's tree. Even if you don't need a meal, for a treat children like to crack open the red cocoa pods and suck the sweet-sour white fruit off the

Mark Kurlansky is a journalist. based in Miami.

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